

POLYONE CORP
Form DEF 14A
March 29, 2010

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**SCHEDULE 14A
(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

POLYONE CORPORATION

(Name of Registrant as Specified In Its Certificate)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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POLYONE CORPORATION

**Notice of 2010
Annual Meeting of Shareholders
and Proxy Statement**

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March 29, 2010

Dear Fellow Shareholder:

You are cordially invited to attend the PolyOne Corporation Annual Meeting of Shareholders, which will be held at 9:00 a.m. on Wednesday, May 12, 2010, at LACENTRE Conference and Banquet Facility, Champagne C Ballroom, 25777 Detroit Road, Westlake, Ohio.

A Notice of the Annual Meeting and the Proxy Statement follow. Please review this material for information concerning the business to be conducted at the Annual Meeting and the nominees for election as Directors.

You will also find enclosed a proxy and/or voting instruction card and an envelope in which to return the card. Whether or not you plan to attend the Annual Meeting, please complete, sign, date and return your enclosed proxy and/or voting instruction card, or vote over the telephone or the Internet as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. **Your vote is very important.** You may, of course, withdraw your proxy and change your vote prior to or at the Annual Meeting, by following the steps described in the Proxy Statement.

I appreciate the strong support of our shareholders over the years and look forward to seeing you at the meeting.

Sincerely,

Stephen D. Newlin
Chairman, President and Chief Executive Officer
PolyOne Corporation

Please refer to the accompanying materials for voting instructions.

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POLYONE CORPORATION
NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS

The Annual Meeting of Shareholders of PolyOne Corporation will be held at the LACENTRE Conference and Banquet Facility, Champagne C Ballroom, 25777 Detroit Road, Westlake, Ohio at 9:00 a.m. on Wednesday, May 12, 2010. The purposes of the meeting are:

1. To elect as Directors the nine nominees named in the proxy statement and recommended by the Board of Directors;
2. To approve the PolyOne Corporation 2010 Equity and Performance Incentive Plan;
3. To approve the PolyOne Corporation Senior Executive Annual Incentive Plan (Effective January 1, 2011);
4. To ratify the appointment of Ernst & Young LLP as PolyOne Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2010; and
5. To consider and transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 15, 2010 are entitled to notice of and to vote at the meeting.

For the Board of Directors

Lisa K. Kunkle
*Vice President, General Counsel
and Secretary*

March 29, 2010

**Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Shareholders to be held on May 12, 2010:**

The proxy statement, proxy card and annual report to shareholders for the fiscal year ended December 31, 2009 are available at our internet website, www.polyone.com, on the Investors Relations page.

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POLYONE CORPORATION
PolyOne Center
33587 Walker Road
Avon Lake, Ohio 44012

PROXY STATEMENT
Dated March 29, 2010

Our Board of Directors respectfully requests your proxy for use at the Annual Meeting of Shareholders to be held at the LACENTRE Conference and Banquet Facility, Champagne C Ballroom, 25777 Detroit Road, Westlake, Ohio at 9:00 a.m. on Wednesday, May 12, 2010, and at any adjournments of that meeting. This proxy statement is to inform you about the matters to be acted upon at the meeting.

If you attend the meeting, you may vote your shares by ballot. If you do not attend, your shares may still be voted at the meeting if you sign and return the enclosed proxy card. Common shares represented by a properly signed card will be voted in accordance with the choices marked on the card. If no choices are marked, the shares will be voted to elect the nominees listed on pages 3 through 7 of this proxy statement, to approve the PolyOne Corporation 2010 Equity and Performance Incentive Plan, to approve the PolyOne Corporation Senior Executive Annual Incentive Plan (Effective January 1, 2011) and to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010. You may revoke your proxy before it is voted by giving notice to us in writing or orally at the meeting. Persons entitled to direct the vote of shares held by the following plans will receive a separate voting instruction card: The PolyOne Retirement Savings Plan and PolyOne Canada Inc. Retirement Savings Program. If you receive a separate voting instruction card for one of these plans, you must sign and return the card as indicated on the card in order to instruct the trustee on how to vote the shares held under the plan. You may revoke your voting instruction card before the trustee votes the shares held by it by giving notice in writing to the trustee.

Shareholders may also submit their proxies by telephone or over the Internet. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. These procedures allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. Instructions for voting by telephone and over the Internet are printed on the proxy cards.

We are mailing this proxy statement and the enclosed proxy card and, if applicable, the voting instruction card, to shareholders on or about April 5, 2010. Our headquarters are located at PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012 and our telephone number is (440) 930-1000.

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PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors currently consists of ten Directors. Each Director serves for a one-year term and until a successor is duly elected and qualified, subject to the Director's earlier death, retirement or resignation. Our Corporate Governance Guidelines provide that all non-employee Directors will retire from the Board not later than the first Annual Meeting of Shareholders following the Director's 70th birthday. In accordance with these Guidelines, Ms. Duff-Bloom will retire from the Board at the 2010 Annual Meeting of Shareholders. Following Ms. Duff-Bloom's retirement, our Board will consist of nine Directors.

A shareholder who wishes to suggest a Director candidate for consideration by the Nominating and Governance Committee must provide written notice to our Secretary in accordance with the procedures specified in Regulation 12 of our Regulations. Generally, the Secretary must receive the notice not less than 60 nor more than 90 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting. The notice must set forth, as to each nominee, the name, age, principal occupations and employment during the past five years, name and principal business of any corporation or other organization in which such occupations and employment were carried on, and a brief description of any arrangement or understanding between such person and any others pursuant to which such person was selected as a nominee. The notice must include the nominee's signed consent to serve as a Director if elected. The notice must set forth the name and address of, and the number of our common shares owned by, the shareholder giving the notice and the beneficial owner on whose behalf the nomination is made and any other shareholders believed to be supporting such nominee.

Following are the nominees for election as Directors for terms expiring in 2011, a description of the business experience of each nominee and the names of other publicly-held companies for which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusions that the nominee should serve as a Director, the Board also believes that all of our Director nominees are individuals of substantial accomplishment with demonstrated leadership capabilities. Each of our Directors also has the following personal characteristics, which are required attributes for all Board nominees: high ethical standards, integrity, judgment, and an ability to devote sufficient time to the affairs of our Company. Each of the nominees is a current member of the Board. The reference below each Director's name to the term of service as a Director includes the period during which the Director served as a Director of The Geon Company (Geon) or M.A. Hanna Company (M.A. Hanna), each one of our predecessors. The information is current as of March 15, 2010.

Our Board of Directors recommends a vote FOR the election to the Board of each of the following nominees:

J. Douglas Campbell

Director since 1993

Age 68

Retired Chairman and Chief Executive Officer of ArrMaz Custom Chemicals, Inc., a specialty mining and asphalt additives and reagents producer. Mr. Campbell served in this capacity from December 2003 until the company was sold in July 2006. Mr. Campbell served as President and Chief Executive Officer and was a Director of Arcadian Corporation, a nitrogen chemicals and fertilizer manufacturer, from December 1992 until the company was sold in 1997. We believe that Mr. Campbell is particularly qualified to serve as a member of our Board because of his in-depth knowledge of our industry and his experience in holding leadership roles at other

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manufacturing companies. Mr. Campbell has served as chief executive officer and has held other officer positions in the oil, chemical and plastics industries. We believe that the knowledge and skills that he gained in these roles provides him with an ideal background for serving as a director of PolyOne.

Dr. Carol A. Cartwright

Director since 1994

Age 68

President of Bowling Green State University, a public higher education institution, since January 2009 and Interim President from July 2008 to January 2009. Dr. Cartwright served as President of Kent State University, a public higher education institution, from 1991 until her retirement in June 2006. Dr. Cartwright currently serves on the Boards of Directors of KeyCorp and FirstEnergy. From 2002 to 2008, Dr. Cartwright served on the Board of Directors of The Davey Tree Expert Company. We believe that Dr. Cartwright has gained many of the skills and attributes necessary to serve as an effective member of our Board in her 17 years of experience serving as a chief executive officer of large, complex, non-profit organizations. In her leadership role at these organizations, she has had responsibility for direct oversight for strategic planning, program development, financial management, capital construction, human resources, labor negotiations and investments. This specific experience, as well as her proven ability to lead, makes Dr. Cartwright an invaluable member of our Board.

Richard H. Fearon

Director since 2004

Age 54

Vice Chairman and Chief Financial and Planning Officer of Eaton Corporation, a global manufacturing company, since February 2009. Mr. Fearon served as Executive Vice President, Chief Financial and Planning Officer from April 2002 until February 2009. Mr. Fearon served as a Partner of Willow Place Partners LLC from 2001 to 2002 and was the Senior Vice President Corporate Development for Transamerica Corporation from 1995 to 2000. We believe that Mr. Fearon's financial expertise, experience and knowledge of international operations, knowledge of diversified companies and corporate development expertise provide him with the qualifications and skills to serve as a valued member of our Board. Mr. Fearon's advice with respect to financial issues affecting our company is specifically valued and utilized, especially in his role as Chair of our Audit Committee. As a sitting executive and leader at a multi-national corporation, Mr. Fearon is particularly equipped to advise our Board on current issues facing our company.

Gordon D. Harnett

Director since 1997

Age 67

Lead Director of our Board of Directors since July 18, 2007. Retired Chairman, President and Chief Executive Officer of Brush Engineered Materials Inc., an international supplier and producer of high performance engineered materials. Mr. Harnett served in this capacity from 1991 until his retirement in May 2006. Mr. Harnett serves on the Boards of Directors of The Lubrizol Corporation, EnPro Industries, Inc. and Acuity Brands, Inc. We believe that Mr. Harnett's extensive experience in the specialty chemicals industry

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provides him with unique skills in serving as a PolyOne Director. Mr. Harnett's past experience includes leadership roles at a number of specialty chemical companies, including serving as a senior vice president of Goodrich Specialty Chemicals and president of Tremco, in addition to his role as chief executive officer at Brush Engineered Materials. Mr. Harnett is also uniquely qualified to assist our Board on international issues, as he previously resided in Canada and Japan while actively involved in the international operations of his former employers. Mr. Harnett, Chair of our Compensation Committee, is especially knowledgeable in the area of executive compensation, due to his experiences serving on the compensation committees of other public companies.

Richard A. Lorraine

Director since 2008

Age 64

Retired Senior Vice President and Chief Financial Officer of Eastman Chemical Company, a specialty chemicals company. Mr. Lorraine served in this capacity from 2003 to 2008. Mr. Lorraine also served as Executive Vice President and Chief Financial Officer of Occidental Chemical Company from 1995 to 2003. Mr. Lorraine serves on the Board of Directors of Carus Corporation. We believe that Mr. Lorraine is a valuable recent addition to our Board. Mr. Lorraine provides our Board with the broad business perspective that he gained in extensive leadership roles in varying industries. He is particularly equipped to advise our Board and Audit Committee on financial issues affecting our company due to his prior roles as chief financial officer. In addition, he has a significant international background and in-depth commercial experience. All of these attributes provide Mr. Lorraine with valuable skills that he shares with our Board.

Edward J. Mooney

Director since 2006

Age 68

Retired Chairman and Chief Executive Officer of Nalco Chemical Company, a specialty chemicals company. Mr. Mooney served in this capacity from 1994 to 2000. Mr. Mooney also served as Délégué Général North America, of Suez Lyonnaise des Eaux from 2000 to 2001, following its acquisition of Nalco. Mr. Mooney serves on the Boards of Directors of FMC Corporation, FMC Technologies, Inc., Northern Trust Corporation, Cabot Microelectronics Corporation and Commonwealth Edison Company (a wholly-owned subsidiary of Exelon Corporation). We believe that Mr. Mooney's expansive knowledge of the chemical industry make him uniquely qualified to serve on our Board. In particular, in his prior role as chief executive officer of a specialty chemicals company, Mr. Mooney gained relevant knowledge and valuable insight that he can share with our company. In addition, Mr. Mooney's current service on boards of directors of other private and public companies provides him with unique, up-to-date perspectives that he has learned serving in those capacities.

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Stephen D. Newlin

Director since 2006

Age 57

Chairman, President and Chief Executive Officer of PolyOne since February 2006. Mr. Newlin served as President Industrial Sector of Ecolab, Inc., a global leader in cleaning and sanitizing specialty chemicals, products and services from 2003 to 2006. Mr. Newlin served as President and a director of Nalco Chemical Company, a manufacturer of specialty chemicals, services and systems, from 1998 to 2001 and was Chief Operating Officer and Vice Chairman from 2000 to 2001. Mr. Newlin serves on the Boards of Directors of Black Hills Corporation and The Valspar Corporation. We believe that, as our chief executive officer, Mr. Newlin is particularly qualified to serve on our Board. He has gained significant experience in the specialty chemical industry, serving as a chief executive officer in this industry for over 30 years. In addition, in his role as our CEO, he has proven that he is an effective leader. He is also able to contribute his knowledge and experience with respect to international issues as a result of his global work responsibilities and living abroad. Mr. Newlin's skills, gained over years of working in a leadership role, provide him with the right combination of broad-based knowledge and industry-specific experience to allow him to serve as an effective Chairman of our Board.

William H. Powell

Director since 2008

Age 64

Retired Chairman and Chief Executive Officer of National Starch and Chemical Company, a specialty chemicals company. Mr. Powell served in this capacity from 1999 until his retirement in 2006. Mr. Powell serves on the Boards of Directors of Arch Chemicals, Inc. and Granite Construction Incorporated. We believe that Mr. Powell's previous employment as a chief executive officer has provided him with the leadership skills that are important in serving as a Director of our company. His prior employment in the specialty chemicals industry is particularly relevant. This experience gives him the knowledge and insights to provide valuable advice and strategic direction in addressing the issues facing our company. Mr. Powell also serves as a Director of two other public companies, which provides him with experiences he can utilize when serving as a member of our Board.

Farah M. Walters

Director since 1998

Age 65

President and Chief Executive Officer of QualHealth, LLC, a healthcare consulting firm. From 1992 until her retirement in June 2002, Ms. Walters was the President and Chief Executive Officer of University Hospitals Health System and University Hospitals of Cleveland. Ms. Walters currently serves on the Board of Directors of Celanese Corporation. From 1993 to 2006, Ms. Walters served on the Board of Directors of Kerr-McGee Corp. From 2003 to 2006, Ms. Walters served on the Board of Directors of Alparma Inc. Ms. Walters' extensive business experience provides her with the attributes and skills that uniquely qualify her to serve as a member of our Board of Directors. She has over ten years of experience as a chief executive officer of a \$2 billion company and a proven track record of success in a leadership role. Further, she has served on the

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Board of Directors of other public companies, including those in the chemical industry. Ms. Walters' business experience has provided her with the necessary background to allow her to provide practical and relevant advice on the issues facing our company.

CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

Our Corporate Governance Guidelines require that a substantial majority of the members of our Board of Directors be independent under the listing standards of the New York Stock Exchange (NYSE). To be considered independent, the Board of Directors must make an affirmative determination that the Director has no material relationship with us other than as a Director, either directly or indirectly (such as an officer, partner or shareholder of another entity that has a relationship with us or any of our subsidiaries), and that the Director is free from any business, family or other relationship that would reasonably be expected to interfere with the exercise of independent judgment as a Director. In each case, the Board of Directors considers all relevant facts and circumstances in making an independence determination.

A Director will not be deemed to be independent if, within the preceding three years:

- (a) the Director was our employee, or an immediate family member of the Director was either our executive officer or the executive officer of any of our affiliates;
- (b) the Director received, or an immediate family member of the Director received, more than \$120,000 per year in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation was not contingent in any way on continued service);
- (c) the Director is a current partner or employee of Ernst & Young LLP, our external auditor, or within the last three years was a partner or employee of Ernst & Young LLP who personally worked on our audit during that time;
- (d) an immediate family member of the Director is a current partner of Ernst & Young LLP, our external auditor, or within the last three years was an employee of Ernst & Young LLP who personally worked on our audit during that time;
- (e) the Director was employed, or an immediate family member of the Director was employed, as an executive officer of another company where any of our present executive officers serve on that company's compensation committee; or
- (f) the Director was an executive officer or an employee, or an immediate family member of the Director was an executive officer, of a company that makes payments to, or receives payments from, us for property or services in an amount which, in any single fiscal year, exceeds the greater of \$1,000,000, or 2% of such other company's consolidated gross revenues.

An immediate family member includes a Director's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such Director's home.

A Director's service as an executive officer of a not-for-profit organization will not impair his or her independence if, within the preceding three years, our charitable contributions to the

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organization in any single fiscal year, in the aggregate, did not exceed the greater of \$1,000,000 or 2% of that organization's consolidated gross revenues.

The Board of Directors determined that J. Douglas Campbell, Carol A. Cartwright, Gale Duff-Bloom, Richard H. Fearon, Robert A. Garda (who retired during 2009), Gordon D. Harnett, Richard A. Lorraine, Edward J. Mooney, William H. Powell and Farah M. Walters are independent under the NYSE independent director listing standards. In making this determination, the Board reviewed significant transactions, arrangements or relationships that a Director might have with our customers or suppliers.

Lead Director

Our independent directors meet regularly in executive sessions. Our Corporate Governance Guidelines provide that the independent directors are to select a Lead Director to preside at executive sessions. The Lead Director acts as the key liaison between the independent directors and the Chief Executive Officer and is responsible for coordinating the activities of the other independent directors and for performing various other duties as may from time to time be determined by the independent directors. Mr. Harnett has served as our Lead Director since July 2007.

Board Leadership Structure

Mr. Newlin is the Chairman of our Board of Directors and our Chief Executive Officer. The Board of Directors believes that this leadership structure is appropriate for our company given the experience and active involvement of our independent directors, our corporate governance practices, and our Lead Director's role. Having a Lead Director role helps to ensure greater communication between management and the independent directors, increases the independent directors' understanding of management decisions and Company operations, and provides an additional layer of independent oversight of the Company. The Board of Directors believes that this approach serves to strike an effective balance between management and independent director participation in the board process. Combining the Chairman and Chief Executive Officer position gives the Company a clear leader and improves efficiencies in the decision-making process.

Board Attendance

The Board met seven times during 2009, the calendar year being our fiscal year. Each member of our Board attended at least 75% of the meetings held by our Board and the meetings held by the Committees of the Board on which such member served in 2009. Each Director is expected to attend the Annual Meeting of Shareholders. In 2009, nine of our Directors serving at that time attended the Annual Meeting of Shareholders.

Committees of the Board of Directors

As of the date of this proxy statement, our Board has ten directors and the following five committees: the Audit Committee, the Compensation Committee, the Nominating and Governance Committee, the Environmental, Health and Safety Committee, and the Financial Policy Committee.

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The following table sets forth the membership of the standing committees of our Board of Directors, as of the date of this proxy statement, and the number of times each committee met in 2009. The current function of each committee is described below.

Director	Audit Committee	Compensation Committee	Environmental, Health and Safety Committee	Financial Policy Committee	Nominating and Governance Committee
Mr. Campbell		X	X	X*	
Dr. Cartwright	X				X*
Ms. Duff-Bloom			X	X	X
Mr. Fearon	X*				X
Mr. Harnett	X	X*			
Mr. Lorraine	X				X
Mr. Mooney		X	X*	X	
Mr. Newlin			X	X	
Mr. Powell		X	X	X	
Ms. Walters		X		X	
<i>Number of Meetings in 2009</i>	8	4 ⁽¹⁾	2	3	1 ⁽¹⁾

X Member

* Chairperson

(1) On May 14, 2009, we split the responsibilities of our Compensation and Governance Committee, resulting in two new separate committees: the Compensation Committee and the Nominating and Governance Committee. We believe that two separate committees will be more efficient and effective from a governance perspective and allow for each of the new committees to address a more focused set of duties. Prior to this reorganization, the Compensation and Governance Committee met a total of three times in 2009. We have not included those three meetings in the table above, however, they should be considered when reviewing the total number of times each of the new committees met in 2009.

The Audit Committee meets with appropriate financial and legal personnel and independent auditors to review our corporate accounting, internal controls, financial reporting and compliance with legal and regulatory requirements. The Committee exercises oversight of our independent auditors, internal auditors and financial management. The Audit Committee appoints the independent auditors to serve as auditors in examining our corporate accounts. Our

common shares are listed on the NYSE and are governed by its listing standards. All members of the Audit Committee meet the financial literacy and independence requirements as set forth in the NYSE listing standards. The Board of Directors has determined that Mr. Fearon meets the requirements of an audit committee financial expert as defined by the Securities and Exchange Commission.

The Compensation Committee reviews and approves the compensation, benefits and perquisites afforded our executive officers and other highly-compensated personnel. The Committee has similar responsibilities with respect to non-employee Directors, except that the Committee's actions and determinations are subject to the approval of the Board of Directors. The Committee also has oversight responsibilities for all of our broad-based compensation and benefit programs and provides policy guidance and oversight on selected human resource policies and practices. To help it perform its responsibilities, the Committee makes use of PolyOne resources, including members of senior management in our human resources, legal and finance departments. In addition, the Committee directly engages the resources of Towers Watson (formerly Towers Perrin, the Consultant) as an independent outside compensation consultant to assist the Committee in assessing the competitiveness and overall appropriateness of our executive compensation programs. In 2009, the

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Committee, assisted by the Consultant, analyzed competitive market compensation data relating to salary, annual incentives and long-term incentives. In analyzing competitive market data, the Committee reviewed data from a peer group of similarly-sized U.S. chemical companies and reviewed data from the Consultant's Compensation Data Bank and other published surveys. The Consultant then assisted the Committee in benchmarking base salaries and annual and long-term incentive targets to approximate the market median. The Consultant assisted our human resources department in preparing tally sheets to provide the Committee with information regarding our executive officers' total annual compensation, termination benefits and wealth accumulation. More detailed information about the compensation awarded to our executive officers in 2009 is provided in the Compensation Discussion and Analysis section of this proxy statement. The Consultant maintains regular contact with the Committee and interacts with management to gather the data needed to prepare reports for Committee review.

The Consultant did not provide us with services in excess of \$120,000 that were in addition to the services provided in connection with its advice and recommendations on the amount or form of executive and director compensation.

The Compensation Committee reviews succession planning for the Chief Executive Officer and other executive officers and oversees the process by which the Board annually evaluates the performance of the Chief Executive Officer. All members of the Compensation Committee have been determined to be independent as defined by the NYSE listing standards.

The Nominating and Governance Committee recommends to the Board of Directors candidates for nomination as Director and advises the Board with respect to governance issues and directorship practices. All members of the Nominating and Governance Committee have been determined to be independent as defined by the NYSE listing standards.

The Nominating and Governance Committee will consider shareholder suggestions for nominees for election to our Board of Directors as described on page 3. The Committee uses a variety of methods for identifying and evaluating nominees for Directors, including third-party search firms, recommendations from current Board members and recommendations from shareholders. Nominees for election to the Board of Directors are selected on the basis of the following criteria:

Business or professional experience;

Knowledge and skill in certain specialty areas such as accounting and finance, international markets, physical sciences and technology or the polymer or chemical industry;

Personal characteristics such as ethical standards, integrity, judgment, leadership and the ability to devote sufficient time to our affairs;

Substantial accomplishments with demonstrated leadership capabilities;

Freedom from outside interests that conflict with our best interests;

The diversity of backgrounds and experience each member will bring to the Board of Directors; and

Our needs from time to time.

While the Committee or the Board does not have a formal policy with respect to the consideration of diversity in identifying director nominees, they do consider diversity when evaluating potential Board nominees. We consider diversity to include race, gender and national origin, as well as differences in viewpoint, background, experience and

skills. The Committee

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believes that having a diverse Board leads to more innovation, more outside-the-box-thinking and better governance. In 2009, 30% of our Board members were female and diversity is a key characteristic that we will consider, and instruct any third party search firm we use to consider, in searches for future Board members.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. The Committee has established these criteria that any Director nominee, whether suggested by a shareholder or otherwise, should satisfy. A nominee for election to the Board who is suggested by a shareholder will be evaluated by the Committee in the same manner as any other nominee for election to the Board. Finally, if the Committee determines that a candidate should be nominated for election to the Board, the Committee will present its findings and recommendation to the full Board for approval.

In past years, the Committee has used a third-party search firm, Russell Reynolds Associates, Inc., to identify possible candidates who meet the minimum and desired qualifications, to interview and screen such candidates (including conducting appropriate background and reference checks), to act as a liaison among the Board, the Committee and each candidate during the screening and evaluation process, and thereafter to be available for consultation as needed by the Committee. The Committee did not use Russell Reynolds Associates, Inc. in 2009, but may use them again in the future.

The Environmental, Health and Safety Committee exercises oversight with respect to our environmental, health, safety, security and product stewardship policies and practices and our compliance with related laws and regulations.

The Financial Policy Committee exercises oversight with respect to our capital structure, borrowing and repayment of funds, financial policies, management of foreign exchange risk and other matters of financial risk management, banking relationships and other financial matters.

The Board of Directors has adopted a written charter for each of the standing committees of the Board of Directors. These charters are posted and available on our investor relations internet website at www.polyone.com under the Corporate Governance page. The Board and each Committee conduct an annual self-evaluation.

Board s Oversight of Risk

Our Board of Directors oversees a company-wide approach to risk management that is designed to support the achievement of our strategic objectives and improve long-term organizational performance, which we believe will ultimately enhance shareholder value. The Board of Directors believes that risk management is not only understanding the risks we face and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us as an organization.

Our Board of Directors administers its risk oversight function directly and through its Audit Committee and Financial Policy Committee. The Audit Committee discusses with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies. The Audit Committee also receives an annual risk assessment report from our internal auditors. The Financial Policy Committee assists the Board of Directors in fulfilling its oversight and monitoring responsibilities to our shareholders relating to our capital structure, our borrowing and repayment of funds, financial policies, management of foreign exchange risk and other matters of financial risk management,

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including the utilization of financial derivative products, insurance coverage strategies, banking relationships and other financial matters.

Our Board of Directors sets the appropriate tone at the top when it comes to risk tolerance and management by fostering a culture of risk-adjusted decision-making throughout the company. Our Board ensures that the risk management processes designed and implemented by our management team are adapted to the Board's corporate strategy and are functioning as directed. The Board of Directors also participates in an ongoing effort to assess and analyze the most likely areas of future risk for the company by asking our management team to discuss the most likely sources of material future risks and how we are addressing any significant potential vulnerability.

Code of Ethics, Code of Conduct and Corporate Governance Guidelines

In accordance with applicable NYSE listing standards and Securities and Exchange Commission regulations, the Board of Directors has adopted a Code of Ethics, Code of Conduct and Corporate Governance Guidelines. These are also posted and available on our investor relations internet website at www.polyone.com under the Corporate Governance page.

In October 2007, the Board amended our Corporate Governance Guidelines to adopt a policy relating to majority voting. Pursuant to the policy, any nominee for election as a Director of the Board who receives a greater number of votes withheld from his or her election than votes for his or her election in an election of Directors that is not a contested election is expected to tender his or her resignation as a Director to the Board promptly following the certification of the election results. Neither abstentions nor broker non-votes will be deemed to be votes for or withheld from a Director's election for purposes of the policy, regardless of the new rules treating broker non-votes as withheld in uncontested elections of directors. The Nominating and Governance Committee (without the participation of the affected Director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take appropriate action on each tendered resignation, taking into account the Nominating and Governance Committee's recommendation. The Nominating and Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons (if any) given by shareholders as to why they withheld their votes, the qualifications of the tendering Director and his or her contributions to the Board and to PolyOne, and the results of the most recent evaluation of the tendering Director's performance by the other members of the Board. The Board will promptly disclose its decision whether to accept or reject the Director's tendered resignation and, if applicable, the reasons for rejecting the tendered resignation.

Communication with Board of Directors

Shareholders and other interested parties interested in communicating directly with the Board of Directors as a group, the non-management or independent Directors as a group, or with any individual Director may do so by writing to the Secretary, PolyOne Corporation, 33587 Walker Road, Avon Lake, Ohio 44012. The mailing envelope and letter must contain a clear notation indicating that the enclosed letter is either a Shareholder-Board of Directors Communication or an Interested Party-Board of Directors Communication, as appropriate.

The Secretary will review all such correspondence and regularly forward to the Board of Directors a log and summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board or Committees of the Board or that she otherwise determines requires their attention. Directors may at any time review a log of all correspondence we receive that is addressed to members of the Board and request copies of any

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such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal audit department and handled in accordance with procedures established by the Audit Committee for such matters.

Director Compensation

In 2009, we paid our non-employee Directors an annual retainer of \$135,000, quarterly in arrears, consisting of a cash retainer of \$60,000 and an award of \$75,000 in value of fully vested common shares. We grant the shares payable to the Directors quarterly and determine the number of shares to be granted by dividing the dollar value by the arithmetic average of the high and low stock price on the last trading day of each quarter. We pay individual meeting fees only as follows: fees of \$2,000 for each unscheduled Board and committee meeting attended and fees of \$1,000 for participation in each unscheduled significant telephonic Board and committee meeting. In addition, the Chairpersons of each committee receive a fixed annual cash retainer as follows: \$5,000 for Environmental, Health and Safety, Nominating and Governance and Financial Policy Committees and \$10,000 for Audit and Compensation Committees. These amounts are payable on a quarterly basis. We reimburse Directors for their expenses associated with each meeting attended.

Directors who are not our employees may defer payment of all or a portion of their compensation as a Director under our Deferred Compensation Plan for Non-Employee Directors. A Director may defer the compensation as cash or elect to have it converted into our common shares.

In 2009, we awarded shares to Directors under our Deferred Compensation Plan for Non-Employee Directors and our 2008 Equity and Performance Incentive Plan. Deferred compensation, whether in the form of cash or common shares, is held in trust for the participating Directors. Interest is earned on the cash amounts and dividends, if any, on the common shares deferred accrue for the benefit of the participating Directors.

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Name	Fees Earned or Paid in Cash⁽¹⁾ (\$)	Stock Awards⁽²⁾⁽³⁾ (\$)	Option Awards⁽³⁾ (\$)	Total (\$)
J.D. Campbell	66,000	75,000		141,000
C.A. Cartwright	64,125	75,000		139,125
G. Duff-Bloom	61,000	75,000		136,000
R.H. Fearon	71,000	75,000		146,000
R.A. Garda ⁽⁴⁾	22,167	27,708		49,875
G.D. Harnett	71,000	75,000		146,000
R.A. Lorraine	61,000	75,000		136,000
E.J. Mooney	66,000	75,000		141,000
W.H. Powell	61,000	75,000		136,000
F.M. Walters	61,000	75,000		136,000

(1) Non-employee Directors may defer payment of all or a portion of their cash compensation as a Director (annual cash retainer of \$60,000, meeting fees and chair fees).

(2) In 2009, our Director stock compensation consisted of an annual award of \$75,000 in value of fully vested common shares, which the Directors could elect to defer. We granted the shares quarterly and determined the number of shares to be granted by dividing the dollar value by the arithmetic average of the high and low stock price on the last trading day of each quarter. We used the following quarterly fair market values in calculating the number of shares: March 31, 2009 \$2.395; June 30, 2009 \$2.815; September 30, 2009 \$6.675; and December 31, 2009 \$7.605.

(3) In 2009, we did not grant any stock options to our non-employee Directors. The number of outstanding stock options held by each non-employee Director at the end of the fiscal year is set forth in the following table. All of these options are fully exercisable. In addition, the number of fully-vested deferred shares held in an account for each Director at the end of the fiscal year is set forth in the following table. None of our non-employee Directors exercised stock options in 2009.

Option Awards Number of Securities Underlying	Stock Awards Number of
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Name	Unexercised Options (#)	Deferred Shares (#)
J.D. Campbell	42,000	185,431
C.A. Cartwright	39,000	39,281
G. Duff-Bloom	42,000	67,626
R.H. Fearon	15,000	0
R.A. Garda ⁽⁴⁾	39,000	0
G.D. Harnett	39,000	129,928
R.A. Lorraine	0	26,052
E.J. Mooney	0	74,515
W.H. Powell	0	31,421
F.M. Walters	42,000	46,012

(4) Mr. Garda retired May 14, 2009.

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The following table shows the number of our common shares beneficially owned on March 15, 2010 (including options exercisable within 60 days of that date) by each of our Directors and nominees, each of the executive officers named in the Summary Compensation Table on page 37 and by all Directors and executive officers as a group.

Name	Number of Shares Owned⁽¹⁾	Right to Acquire Shares⁽³⁾	Total Beneficial Ownership
J. Douglas Campbell	187,487 ⁽²⁾	42,000	229,487
Carol A. Cartwright	127,897 ⁽²⁾	39,000	166,897
Gale Duff-Bloom	94,472 ⁽²⁾	42,000	136,472
Richard H. Fearon	54,250 ⁽²⁾	15,000	69,250
Gordon D. Harnett	146,739 ⁽²⁾	39,000	185,739
Richard A. Lorraine	26,052 ⁽²⁾		26,052
Edward J. Mooney	274,515 ⁽²⁾		274,515
William H. Powell	111,421 ⁽²⁾		111,421
Farah M. Walters	139,092 ⁽²⁾	42,000	181,092
Stephen D. Newlin ⁽⁴⁾	162,900		162,900
Robert M. Patterson ⁽⁴⁾	100,000		100,000
Robert M. Rosenau ⁽⁴⁾	71,917	19,372	91,289
Kenneth M. Smith ⁽⁴⁾	72,922	131,500	204,422
Bernard Baert ⁽⁴⁾	35,766		35,766
19 Directors and executive officers as a group	1,926,081	501,372	2,427,453

(1) Except as otherwise stated in the following notes, beneficial ownership of the shares held by each individual consists of sole voting power and sole investment power, or of voting power and investment power that is shared with the spouse or other family member of the individual. It includes an approximate number of shares credited to the named executives' accounts in our Retirement Savings Plan, a tax-qualified defined contribution plan. The number of common shares allocated to these individuals is provided by the savings plan administrator in a statement for the period ending December 31, 2009, based on the market value of the applicable plan units held by the individual. Additional common shares may have been allocated to the accounts of participants in the

savings plan since the date of the last statements received from the plan administrator. No Director, nominee or executive officer beneficially owned, on March 15, 2010, more than 1% of our outstanding common shares. As of that date, the Directors and executive officers as a group beneficially owned approximately 2.6% of the outstanding common shares.

- (2) With respect to the Directors, beneficial ownership includes shares held under the Deferred Compensation Plan for Non-Employee Directors as follows: J.D. Campbell, 185,431 shares; C.A. Cartwright, 29,552 shares; G. Duff-Bloom, 67,626 shares; R.H. Fearon, 0 shares; G.D. Harnett, 129,928 shares; R.A. Lorraine, 26,052 shares; E.J. Mooney, 74,515 shares; W.H. Powell, 31,421 shares; and F.M. Walters, 19,761 shares.
- (3) Includes shares the individuals have a right to acquire on or before May 14, 2010.

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(4) The executive officers named in the table (the Named Executive Officers) also have the right to acquire common shares upon the exercise of vested stock-settled stock appreciation rights (SARs) as follows: Mr. Newlin, 758,233 SARs; Mr. Patterson, 47,433 SARs; Mr. Rosenau, 115,800 SARs; Mr. Smith, 125,100 SARs; and Mr. Baert, 200,433 SARs. These amounts are not included in the table above because the number of shares to be acquired cannot be determined because it depends on the market value of our common shares on the date of exercise and the applicable withholding taxes.

The following table shows information relating to all persons who, as of March 15, 2010, were known by us to beneficially own more than five percent of our outstanding common shares based on information provided in Schedule 13Gs and 13Ds filed with the Securities and Exchange Commission:

Name and Address	Number of Shares	% of Shares
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	7,337,594 ⁽¹⁾	7.9%
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, California 90401	6,762,652 ⁽²⁾	7.3%
Barrow, Hanley, Mewhinney & Strauss, Inc 2200 Ross Avenue, 31st Floor Dallas, Texas 75201-2761	6,522,410 ⁽³⁾	7.0%
New York Life Trust Company, Trustee 51 Madison Avenue New York, New York 10010	5,051,337 ⁽⁴⁾	5.4%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, Pennsylvania 19355	4,684,286 ⁽⁵⁾	5.1%

(1) As of January 29, 2010, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. BlackRock, Inc. has sole voting power and sole dispositive power with respect to all of these shares.

(2) As of February 8, 2010, based upon information in a Schedule 13G filed with the Securities and Exchange Commission. Dimensional Fund Advisors LP, as an investment advisor, has sole voting power with respect to 6,658,167 of these shares and has sole dispositive power with respect to all of these shares.

(3) As of February 8, 2010, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. Barrow, Hanley, Mewhinney & Strauss, Inc. has sole voting power with respect to

2,667,090 of these shares and has sole dispositive power with respect to all of these shares.

- (4) As of February 12, 2010, based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission. New York Life Trust Company, as Trustee for The PolyOne Retirement Savings Plan, as a bank, has sole voting power and sole dispositive power with respect to all of these shares.
- (5) As of February 8, 2010, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. The Vanguard Group, Inc., as an investment advisor, has sole voting power and sole dispositive power with respect to 147,616 of these shares.

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Share Ownership Guidelines

In December 2009, we revised our share ownership guidelines for our non-employee Directors, executive officers and other elected corporate officers to better align their financial interests with those of our shareholders by requiring them to own a minimum level of our shares. These individuals are expected to make continuing progress towards compliance with the guidelines and to comply fully within five years of becoming subject to the guidelines. These policies, as they relate to our Named Executive Officers, are discussed in the Compensation Discussion and Analysis section of this proxy statement. In order to reflect the Board's commitment to share ownership and better align the interests of our Board members with our shareholders, the required share ownership level for directors is 50,000 shares. For purposes of our guidelines, the following types of share ownership and equity awards are included as shares owned: shares directly held, shares and phantom shares held in our retirement plans and deferral plans, unvested restricted stock and restricted stock units, and earned performance shares. All Directors are required to retain 100% of all shares obtained through us, after the date of adoption of the guidelines (December 16, 2009), as compensation for services provided to us, such percentage to be calculated after any reduction in the number of shares to be delivered as a result of any taxes and exercise costs relating to the shares. This requirement to retain 100% of all shares obtained from us ceases once the Director has met the applicable ownership guideline.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our executive officers and Directors, and persons who own more than 10% of a registered class of our equity securities, file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, Directors and greater than 10% shareholders are required by Securities and Exchange Commission rules to furnish us with copies of all forms they file. Based solely on our review of the copies of such forms received by us and written representation from certain reporting persons, we believe that, during 2009 and until the date of this proxy statement, all Section 16(a) filing requirements applicable to our executive officers, Directors and 10% shareholders were satisfied, except for one Form 4 filing for each of our executive officers relating to an award of stock appreciation rights and restricted stock units on February 17, 2010, which were each made one day after the due date.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

Our executive compensation programs are approved and overseen by the Compensation Committee of the Board of Directors (the Committee), which is composed entirely of independent directors. The Committee has selected and retained an independent compensation consultant, Towers Watson (formerly Towers Perrin, the Consultant). The Committee works in conjunction with the Consultant and with input from members of senior management, principally the Chairman, President and Chief Executive Officer, the Chief Human Resources Officer, the Chief Financial Officer and the General Counsel.

This report contains management's discussion and analysis of the compensation awarded to, earned by, or paid to the following executive officers (the Named Executive Officers):

Stephen D. Newlin Chairman, President and Chief Executive Officer

Robert M. Patterson Senior Vice President and Chief Financial Officer

Robert M. Rosenau Senior Vice President, President of Performance Products and Solutions

Kenneth M. Smith Senior Vice President, Chief Information and Human Resources Officer

Bernard Baert Senior Vice President, President of Europe and International

Executive Compensation Programs Objectives and Overview

The objectives of our executive compensation programs are to: (1) attract, motivate and retain the management team who leads in setting and achieving the overall goals and objectives of our company; (2) foster a pay-for-performance culture by rewarding the achievement of specified financial goals and growth of our share price; and (3) align our goals and objectives with the interests of our shareholders by recognizing and rewarding business results through incentive programs.

While we believe that all components of total compensation (which are identified in the Summary Compensation Table) should be valued and considered when making decisions regarding pay, the primary focus of our executive compensation program is on base salary, annual incentive and long term incentives. We believe that compensation opportunities should be competitive with the compensation practices of the companies we compete with for executive talent and that total compensation should be fair to both employees and shareholders.

Our incentive programs focus on the critical performance measures that determine our company's overall success. For positions with significant business unit responsibilities, incentive programs also emphasize success at the business unit level, which often leads to Named Executive Officers at comparable levels being paid differently across the organization. Our base salary and annual and long-term incentive opportunities are designed to reward executives for the efficient execution of their day-to-day responsibilities and attainment of short term results, balanced with the need for sustainable, long-term success.

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The following table outlines the major elements of compensation in 2009 for our Named Executive Officers.

Compensation Element	Definition	Rationale
Base Salary	Fixed compensation payable bi-weekly	Intended to pay for completing day-to-day job responsibilities assigned to the position
Annual Incentive	Variable, cash compensation that is earned when pre-established annual performance goals are achieved	Builds accountability for important annual financial goals Payment is required only upon achievement of specified goals
Long-Term Incentive Plan (3 Components)		
<i>Cash-settled Performance Units</i>	Variable, cash compensation that is earned when pre-established financial goals are achieved. For the 2009 LTIP, the performance period for cash-settled performance units was a one-year period. Awards are determined at the end of 2009 based on performance over the preceding 12-month period but payable in three years.	Emphasizes achievement of strategic goals and objectives Payment is required only upon achievement of specified goals Avoids stock dilution through cash awards One-year measurement period emphasizes key goals, while the three-year payout period supports our retention objective
<i>Stock-settled Stock Appreciation Rights</i>	Variable compensation that increases in value as our share price rises. For 2009 grants, SARs vest one-third per year, subject to performance criteria that required achievement of a 10%, 20% and 30% premium over the grant price.	Aligns with the shareholder goal of maximizing value through increased stock price Requires growing stock price before any value can be realized by participant Increases share ownership
	Paid in PolyOne common shares	Payment is not required if executive terminates before vesting Vesting conditions require executive to remain with PolyOne for the vesting period Multi-year incentive is a common market practice
<i>Performance Shares</i>	Equity compensation that vests in one-third increments	Increases share ownership

when a 10%, 20% and 30% premium over the grant price is achieved over the three-year performance period and payable after three years.

Paid in PolyOne common shares

Payment is not required if executive terminates before vesting

Requires growing stock price before any value can be realized by participant

Vesting conditions require executive to remain with PolyOne for three-year period

Full-value grant is a common market practice

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Compensation Element	Definition	Rationale
Retirement Plans		
<i>U.S. Defined Contribution Plans</i>	Qualified 401(k) defined contribution plan	The qualified defined contribution plan is a standard tax-qualified benefit offered to all employees subject to limitations on compensation and benefits under the Internal Revenue Code
	Nonqualified excess 401(k) defined contribution plan	Restores benefits that are limited by the Internal Revenue Code in the qualified plan for most highly-paid executives
<i>Belgium Defined Contribution Plan</i>	Tax-efficient defined contribution plan	Mr. Baert participated in a standard tax-efficient defined contribution plan provided to most Belgium employees for a portion of 2009
<i>Luxembourg Defined Contribution Plan</i>	Tax-efficient defined contribution plan	Mr. Baert changed work locations during 2009 and became a participant in a standard tax-efficient defined contribution plan provided to Luxembourg employees
<i>Defined Benefit Plans</i> (These plans have been closed to new participants since the formation of PolyOne and were frozen as of March 20, 2009)	Qualified defined benefit pension plan	Messrs. Rosenau and Smith are participants in a defined benefit pension plan offered to certain employees
	Nonqualified, excess defined benefit plan	Restores benefits that are limited by the Internal Revenue Code in the qualified plan and applies to all eligible plan participants
<i>Supplemental Retirement Benefit for Mr. Newlin</i>	Non-qualified annual supplemental retirement payments, upon a Qualifying Separation from Service, payable in the form of a 15-year certain and continuous life annuity	This non-qualified retirement benefit is consistent with benefits offered at peer companies Vesting conditions encourage executive to remain with PolyOne until the vesting conditions are satisfied
<i>Subsidized Post-Retirement Medical Plan</i> (This plan has been closed to new participants since the formation of PolyOne in 2000, and will be eliminated in 2013)	Subsidized retiree medical coverage similar to coverage provided to active employees available to certain employees	Messrs. Rosenau and Smith are eligible for participation in a post-retirement medical plan offered to certain employees
<i>Post-Retirement Medical Plan (at Full Cost to Employee)</i>	Retiree medical coverage at full cost to the retiree from ages 55 to 65 that is available to all	Messrs. Newlin and Patterson are eligible for participation in the post-retirement medical plan offered to U.S.-based PolyOne

PolyOne employees who meet specified service requirements employees

Mr. Baert is not eligible to participate in a company provided retiree medical plan

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Compensation Element	Definition	Rationale
Perquisites*	Car allowance Relocation benefits Executive physicals Financial planning and tax preparation Excess liability insurance Tax gross ups on relocation, financial planning and tax preparation, and excess liability insurance	Common market practice Relocation benefits assist in attracting new executive talent Executive physicals help to ensure continuity of our management team Perquisites are modest and are typical for executives at comparable companies

* We replaced the car allowance with a benefit allowance and we eliminated the excess liability insurance and tax gross up on financial planning and tax preparation effective January 1, 2010.

Setting the Level of Compensation

We have designed our compensation programs to be competitive with companies of comparable size and industry as well as companies with whom we compete for executive talent. The Committee obtains advice from the Consultant relating to competitive salaries and annual and long-term incentives, as well as other items of total compensation, including retirement benefits, health and welfare benefits and perquisites. Management and the Committee review the specific pay disclosures of the defined peer group of chemical companies as well as survey data of similarly-sized chemical and other companies, as provided by the Consultant. The Committee discusses and considers this information when making compensation decisions. This process is described in the Compensation Oversight Processes section of this report. The Committee manages compensation so as to align each of the pay elements with market practices.

The Committee targets base salaries around the median of observed market practice and sets annual and long-term incentive targets (incentive as a percent of salary) to approximate the market median. We believe the maximum potential annual incentive payouts (no award shall be greater than double the target award) are consistent with the typical market range around target awards.

Our actual awards of cash-settled performance units, stock-settled stock appreciation rights (SARs) and full value awards (in the form of performance shares or restricted stock units (RSUs)) are based on competitive long-term incentive market practices, market data, and an evaluation of an individual's performance.

The global recession that began in the second half of 2008 and continued into 2009 had an impact on our business and on our executive compensation programs. As the global economy significantly eroded, it became clear that our executive compensation programs for 2009 needed to take into account the unprecedented nature of the economic conditions. We made significant compensation decisions, including deviations from our policy, history and/or design changes for 2009, as noted below, to reflect the challenges we faced. Additional details follow throughout this analysis.

Base salaries for Named Executive Officers, as well as our other officers, were frozen in 2009.

Table of Contents**Annual Incentive**

Achievement of threshold performance under the annual incentive was modified to result in a payout of 30% of the targeted award (instead of 50%), while maintaining our standard threshold level of performance.

The annual incentive performance measures for 2008 were weighted 80% based on operating income and 20% based on cash flow. We modified the annual incentive performance measures for 2009 to equally weight operating income and working capital as a percentage of sales. These measures were intended to increase our emphasis on reducing working capital and improving cash flow.

Long-Term Incentive Plan

The performance unit grant was tied to achieving results specific to 2009 (as opposed to a three-year time period as was the case in prior awards) to emphasize our focus on improving cash flow for 2009. Any earned awards would be unvested until 2012 to promote retention.

Achievement of threshold performance under the performance unit grant was modified to result in a payout of 30% of the targeted award (instead of 50%), while maintaining our standard threshold level of performance.

The value of aggregate long-term incentive grants (SARs, RSUs and performance units) in 2009 were reduced significantly from 2008 levels in recognition of the decline in our stock price and general market conditions, resulting in award values that were 38% below the target market opportunity for the Named Executive Officers and, therefore, below the value of the 2008 grant.

The reduction in long-term incentive opportunity combined with the freeze in base salaries resulted in a decrease in target total direct compensation in 2009 for Named Executive Officers in the range of 14% to 22% (with the CEO's compensation being decreased by 22%).

The following table summarizes the allocation of the compensation opportunity at target that was granted in 2009 to the Named Executive Officers, based upon the primary elements of compensation (2009 base salary, annual incentive 2009 target opportunity, and long-term incentive grants made in 2009, including performance units that were to be earned based on 2009 performance and payable in 2012). The compensation opportunity is consistent with our overall pay-for-performance philosophy. Generally, employees at more senior levels in the organization, including the Named Executive Officers, have a greater proportion of their compensation tied to incentive compensation. Targeted pay opportunity levels typically align with the market in each individual pay element, however for 2009, each of the Named Executive Officers received long-term incentive compensation opportunities that were below target market opportunities.

Element	Newlin	Patterson	Rosenau	Smith	Baert
Base Salary	26%	45%	49%	49%	51%
Annual Incentive Opportunity	26%	22%	24%	24%	25%
Long-Term Incentive Opportunity	48%	33%	27%	27%	24%

Table of Contents**Benchmarking Competitive Compensation**

We regularly analyze competitive market compensation data relating to salary, annual incentives, and long term incentives. Periodically, we also analyze competitive market compensation data relating to retirement benefits and perquisites.

In analyzing competitive market data, we draw from two independent sources. First, we review proxy statement disclosures of a peer group of similarly sized U.S. chemical companies (listed below) to establish an estimate of market compensation for our most senior executives. This approach provides insight into explicit company practices at business competitors or companies facing similar operating challenges. However, it does not provide market information for positions below the senior management level, nor does it address competitors for talent outside the chemical industry.

Albemarle Corporation	Eastman Chemical Company	The Lubrizol Corporation
Arch Chemicals, Inc.	Ferro Corporation	RPM International Inc.
A. Schulman, Inc.	FMC Corporation	Spartech Corporation
Cabot Corporation	Georgia Gulf Corporation	The Valspar Corporation
Cytec Industries Inc.	H.B. Fuller Company	

Second, we review data from Towers Watson's Compensation Data Bank and other published surveys relating to the chemical industry or other applicable general industries, as provided by the Consultant, to augment the peer proxy analysis and provide a broader sense of market practices. To obtain comparability based on company size, the data either references a specific sample of companies or calibrates the pay of a broad sample of companies against company size. This data is used as one of several inputs into management's and the Committee's determination of market median compensation levels.

Elements of Compensation

The following discussion provides additional details about the main elements of compensation for the Named Executive Officers.

Base Salary

As described above, our policy is to target base pay at the market median but it allows actual pay levels to deviate from target based on performance, responsibility, experience and marketability unique to each individual. Based on the data provided by the Consultant, we have determined that the salaries of the Named Executive Officers range from 91% to 125% of the market median for comparable positions, with an average of 102% for all Named Executive Officers. For 2009, management recommended, and the Committee agreed, that the Named Executive Officers (and other corporate officers) would not receive any salary increases. For 2010, upon the recommendation of management, the Committee determined that no base salary increase would be provided to the CEO.

Annual Incentive

The Senior Executive Annual Incentive Plan (the "Annual Plan") was approved by shareholders in 2005 and includes a set of performance measures that can be used in determining awards under the plan. We are requesting shareholder approval of a new Annual Plan at this year's Annual Meeting and future annual incentive awards will be made under that plan, if approved. The Annual Plan determines how participants (including all Named Executive Officers) can earn annual cash awards. In 2009, the performance measures used for the corporate staff participants in the Annual

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Plan (including Messrs. Newlin, Patterson and Smith) were company operating income (50% weighting) and consolidated working capital as a percentage of sales (50% weighting).

The performance measures used for Messrs. Rosenau and Baert as participants in the Annual Plan were business unit operating income (50% weighting), and consolidated working capital as a percentage of sales (50% weighting). The Committee chose these performance measures in order to drive profitability, promote working capital management, improve cash flow and support consistency in operational performance. Goals were generally designed to reward executives for the attainment of challenging but achievable annual business goals.

We established target annual incentive levels for 2009 consistent with our approach described above to approximate the market median. These targeted levels were set at 100% of salary earned for Mr. Newlin and 50% of salary earned during the year for each of the other Named Executive Officers.

Confronted with unprecedented economic conditions at the beginning of 2009, we set goals that focused our efforts on those factors critical to the on-going concern of our enterprise, including cash generation from working capital, cost containment, earnings improvement and the continued implementation of our overall strategy. For example, we were able to achieve maximum performance on our working capital as a percentage of sales metric and, as a result, reduced working capital by \$117 million (working capital as defined in our annual incentive includes trade accounts receivable, inventory and trade accounts payable) in 2009. Further, on a consolidated basis, our performance under the operating income metric exceeded the maximum performance level. Given the depressed market in which we were operating at the beginning of 2009, we viewed this level of performance as extremely unattainable. Consumer confidence and industrial demand were at historically low levels and two of our largest end markets, housing and automotive, were particularly impacted by the depressed economic conditions, which collectively resulted in a 25% decline in sales in 2009 from 2008. The attainment levels of above-target to maximum performance for this metric in 2009 required exceptional performance across all disciplines and business units throughout the Company. The key elements that drove our improved operating income performance in 2009 were company-wide efforts to cut costs, prune unprofitable or high credit risk business, expand gross margins, and deploy lean six sigma initiatives.

The performance measures and targets and the respective levels of achievement for each performance measure under the Annual Plan are set forth below.

Measure (in millions)	Target Goal	Actual Result	Annual Plan
			Attainment
Company Operating Income	\$ (6.9)	\$ 54.9	200.0%
Consolidated Working Capital as a Percentage of Sales	14.9%	12.1%	200.0%
BU Operating Income (Baert)	26.0	24.4	67.3%
BU Operating Income (Rosenau)	16.1	43.5	175.4%

In the Annual Plan:

Operating income was defined as operating income less Sunbelt operating income and less any specified special items.

Working capital as a percentage of sales is calculated using the following formula: Average (13 months of Working Capital) divided by Sum (12 months of sales), where Working

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Capital equals (a) Trade Accounts Receivable plus (b) Inventory (excluding LIFO reserve) minus (c) Trade Accounts Payable.

The target awards for the Named Executive Officers under the Annual Plan and the actual amounts earned for 2009 performance are set forth below.

Executive	Target Award	Earned Award	% Attainment
S.D. Newlin	\$ 860,000	\$ 1,720,000	200.0%
R.M. Patterson	207,500	415,000	200.0%
R.M. Rosenau	167,500	314,398	187.7%
K.M. Smith	168,000	336,000	200.0%
B. Baert ⁽¹⁾	212,476	283,974	133.7%

- (1) Mr. Baert's compensation is based in Euros and has been converted to dollars using the conversion rate of 1.00 = \$1.43325, which is the conversion rate used in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

For 2009, we modified achievement of threshold performance under the Annual Plan to result in payment of 30% of the targeted award (instead of 50%) for the performance goals, while maintaining the same standard level of threshold performance. Achievement of a performance goal at the target level would result in payment of 100% of the targeted award for that performance goal and achievement at the maximum level or greater would result in payment of 200% of the targeted award for that goal. The awards are interpolated if performance falls between the levels. The actual amount awarded to the Named Executive Officers for 2009 ranged from 133.7% of the targeted amount to 200.0% of the targeted amount. The actual amounts earned under the Annual Plan for 2009 are also included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

The Annual Plan, as it applies to the Named Executive Officers, is structured to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). In order to qualify the amounts earned under the Annual Plan as performance-based, the Committee may exercise discretion only to reduce an award. The Annual Plan is structured so that achievement of the threshold level of performance in any of the measures described above will result in the funding of the plan at maximum. Actual awards are calculated using the Plan formula described above and if funded at maximum as described above, the maximum awards are reduced, as necessary, to deliver awards that are consistent with the attainment levels that were achieved for all other incentive plan participants. For a more detailed discussion of Section 162(m) of the Internal Revenue Code, see the "Tax Considerations" section of this report.

For 2010, in order to place a greater emphasis on profitable growth and as a critical measure of our operating performance, we increased the weighting for operating income from 50% to 65% and we reduced the weighting for working capital as a percentage of sales from 50% to a 35% weighting. Working capital as a percentage of sales continues to be an important measure of our performance and we will also continue to utilize it as the performance metric in the 2010 Long Term Incentive Plan. In addition, we returned the level of payment for achievement of threshold performance in the annual incentive to 50% of the targeted award for 2010 from 30% of the targeted award

in 2009. We updated target annual incentive levels for certain Named Executive Officers for 2010 consistent with our approach to approximate the market median. We set these targeted levels at 55% or 60% of salary earned during the year for the Named Executive Officers except Mr. Newlin and Mr. Baert. We increased Mr. Newlin's target annual incentive opportunity from 100% to 110%

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of salary, in lieu of a salary increase for 2010, and to further promote our pay for performance culture. This also places more of his overall compensation at risk, based on performance against key metrics.

Long-Term Incentive

In May of 2008, our shareholders approved the 2008 Equity and Performance Incentive Plan (the 2008 Plan), and this plan has been used to make awards in 2009 and 2010. We do not believe enough shares remain in this plan to fund SAR and RSU awards in 2011. For this reason, we will be asking shareholders to approve the 2010 Equity and Performance Incentive Plan at the Annual Meeting. See Proposal 2 in this proxy statement.

(1) Awards Granted in 2009

The 2008 LTIP design was intended to provide sufficient shares for three years of grants. Several factors made maintaining this plan design challenging for 2009, including the value of our stock price and the challenges associated with setting long-term performance goals in an unstable economy. If we had continued to follow our historical LTIP grant practices in 2009, that would have resulted in the majority of the available shares in the 2008 Plan being granted during 2009. Instead, the Committee decided to reduce the value of the long-term incentives in 2009 so that only 50% of the available shares under the 2008 Plan would be used, thereby ensuring there were sufficient shares remaining to also fund the 2010 LTIP. As a result, the values of the Named Executive Officers' long-term incentive grants in 2009 were 38% below the target market median opportunity. This approach balanced the perspectives of shareholders and participants by providing additional shares to incent participants, but at a lower total targeted value than in 2008.

This change resulted in a 2009 grant that delivered award allocations that differed from our historical LTIP award allocations, causing a smaller percentage of the award to be allocated to equity and a larger percentage allocated to cash-based performance units. In March 2009, we granted long-term incentive awards under the 2008 Plan using three vehicles, with the allocation of the award values roughly as follows: 65% of the award's value was allocated to performance units for the 2009 performance period, 14% was allocated to stock-settled SARs and 21% was allocated to Performance Shares.

Cash-Settled Performance Units

The performance units granted in March 2009 will be paid in cash, consistent with past practice, and were based on achievement of performance goals relating to Company working capital as a percentage of sales for the one-year period from January 1, 2009 through December 31, 2009. We reduced the measurement period for performance units from three years to one year due to the challenges associated with setting long-term goals in an unstable economy and in order to focus on our near-term cash needs. Award attainment for the performance units is determined at the end of the measurement period but awards are not payable for three years, consistent with existing performance unit design in order to continue the award's retention characteristics.

The Committee selected working capital as a percentage of sales as the performance measure in order to reinforce our focus on improving working capital and to align the measure with the Annual Plan. Generally, the Committee sets the target level for the performance measure consistent with the level established under the projections for our financial plan for the same measurement period. The Committee believed that the budgeted level reflected a challenging but obtainable target. Attainment of the targeted level of achievement for the performance measure would represent a significant improvement over the level attained in previous years. The Committee intended the targeted level to

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be achievable, but a maximum level of performance would have required an extraordinary level of performance, which we believed at the time was possible but unlikely to be achieved. Because of the critical importance of driving performance on our working capital measure, we believed it was essential to focus our team on cash management and to reward them for exceptional performance in this area.

Upon achievement of the target performance level, a participant would earn a target-level award; attainment of only the threshold performance level would have earned 30% of the target award; and attainment of the maximum performance level earns the participant 200% of the target award. If our performance had fallen between the threshold and target or between target and maximum, earnings under the plan would be interpolated. If threshold performance had not been achieved, no award would be paid to the participants. For performance units granted in 2009, we were able to achieve a maximum level of performance as a result of the focus by our team on working capital, a measure we viewed as critical. We believe that providing this incentive to our participants was instrumental in driving the desired results. Management believes these improvements influenced the recovery of our stock price during the course of the year and positioned us well for future success.

We based the performance units on performance at the threshold, target, and maximum levels below. In achieving a 200% payout level by reducing our working capital, we and our shareholders reaped benefits in 2009, such as substantially higher cash flow and liquidity levels and a significant increase in stock price during the year. The 2009 performance unit awards are payable in 2012.

Measure	Threshold	Goals Target	Maximum	% Attainment
Working Capital as a Percentage of Sales	15.2%	14.9%	13.9%	200%

Stock-Settled SARs

To continually reinforce our ongoing commitment to enhancing shareholder returns the Named Executive Officers received an award of SARs that, when exercised by the holder, are settled in our common shares. The SARs granted in March to all Named Executive Officers, have a base price of \$1.43. All SARs granted in 2009 have an exercise term of seven years, which is shorter than market practice, and vest ratably over three years, if certain performance criteria are met. The performance criteria added as a condition of vesting for the 2009 SARs requires achievement of a 10%, 20%, and 30% premium over the grant price. All of the SARs granted in 2009 have met the pre-established stock price hurdles.

Performance Shares

To promote share ownership and enhance the retention of our executives we granted Performance Shares in March to all Named Executive Officers. The Performance Shares vest in one-third increments when a 10%, 20% and 30% premium over the grant price is achieved over the three-year performance period, payable after three years. The Performance Shares granted to all Named Executive Officers were valued at \$1.43 at the time of grant. All of the Performance Shares granted in 2009 have met the pre-established stock price hurdles.

Table of Contents*(2) Awards Granted in Prior Years*

Performance units granted at the start of 2007, reflecting performance over the period 2007-2009, were eligible for payment following the conclusion of 2009. These performance units were based on achievement of company operating income performance goals over the three-year period. Performance levels during the period did not reach the threshold level of attainment and as a result, none of the Named Executive Officers received a payout of this award and the units expired.

Measure	Threshold	Goals			% Attainment
		Target	Maximum		
Operating Income	\$210.4 mm	\$231.0 mm	\$252.9 mm		0%

All outstanding equity awards are set forth in the 2009 Outstanding Equity Awards at Fiscal Year-End table in this proxy statement.

(3) Awards Granted in 2010

We designed the awards granted in 2010 to maintain our focus on generating cash, promoting stock price appreciation, and enhancing retention.

The Committee determined that cash-settled performance units would again be granted in 2010 and that the performance units would be earned upon achievement of performance goals relating to working capital as a percentage of sales, consistent with the 2009 grants and the 2010 Annual Plan. The specific performance metrics are set forth in the table below. To focus on the near-term cash needs of the Company, performance will be measured over a one-year period (2010) and, to promote retention, the performance units will only be paid if the participant continues to be employed on the third anniversary of the date of grant. In addition, we modified the 2010 performance units such that the payout level for achievement of threshold performance was returned to 50% of the targeted award, the 2008 level, from 30% of the targeted award, the level used in 2009.

Measure	Goals		
	Threshold (50%)	Target (100%)	Maximum (200%)
Working Capital as a Percentage of Sales	12.0%	11.3%	10.6%

Further, the Committee determined that it would grant stock-settled SARs and full value stock awards (RSUs) to promote stock price appreciation and enhance retention. In determining the number of SARs and RSUs to be granted, the Committee returned to the approach that had been used in years prior to 2009. Our practice was to grant each participant a long-term incentive award with a target value based on market median and to determine the number of SARs and restricted stock units needed to deliver that pre-determined value.

For 2010, the long-term incentive awards consist of the following:

38% cash-settled performance units

29% stock-settled SARs

33% restricted stock units (RSUs)

The terms of each component of the 2010 long-term incentive award are as follows:

The performance units are earned based on achievement of goals relating to working capital over a one-year performance period but paid three years from date of grant. Achievement of threshold performance will result in a payout of 50% of the target award, achievement of

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target performance will result in a payout of 100% of the target award, and achievement of maximum performance will result in a payout of 200% of the target award.

The SARs granted have a term of seven years and, consistent with 2008 grant practices, will vest one-third each year over the three year period on the anniversary date of the grant. Consistent with the terms of the 2008 Plan, we based the grant price for the SARs on the closing market price of our common stock on the date of grant (February 17, 2010).

Each RSU is equal in value to one share of PolyOne common stock and the RSUs will pay out in the form of our common shares on a one-for-one basis. Consistent with 2008 grant practices, the RSUs will vest 100% at the end of the three-year performance period. Vested shares will be distributed, less applicable taxes, on the third anniversary of the grant in 2013.

Retirement Benefits

We offer a defined contribution retirement benefit to all U.S. employees through an Internal Revenue Code tax-qualified profit sharing/401(k) plan (the Qualified Savings Plan). The Qualified Savings Plan provides employees with individual retirement accounts funded by (1) an automatic Company-paid contribution of 2% of eligible earnings for all employees, (2) a Company-paid match on employee 401(k) contributions equal to dollar-for-dollar on the first 3% of earnings the employee contributes plus \$0.50 per dollar on the next 3% of earnings the employee contributes, and (3) for certain employees, an additional automatic company-paid contribution (Transition Contribution) of up to 4% of eligible earnings. Of the Named Executive Officers, only Messrs. Rosenau and Smith received this contribution in the amount of 3.25% and 4.0%, respectively. Effective March 20, 2009, the additional automatic company-paid contribution was eliminated for all participants. The Internal Revenue Code limits employee contributions to the Qualified Savings Plan to \$16,500 and earnings upon which employee/company contributions are based to \$245,000 in 2009.

The PolyOne Supplemental Retirement Benefit Plan (the Nonqualified Savings Plan) is an unfunded, nonqualified plan that provides benefits similar to the Qualified Savings Plan, but without the Internal Revenue Code contribution and earnings limitations. Together these plans are intended to provide the Named Executive Officers with retirement income equivalent to that provided to all other employees under the Qualified Savings Plan. As a result, the Named Executive Officers can expect a retirement income that replaces a portion of their income while employed similar to that received by all other employees participating in the Qualified Savings Plan who are not impacted by the Internal Revenue Code limitations of the Qualified Savings Plan.

Mr. Baert is based outside the United States and does not participate in the Qualified Savings Plan or the Nonqualified Savings Plan. Mr. Baert relocated from our Belgium office to our Luxembourg office on September 1, 2009. Prior to that date, he participated in a standard defined contribution retirement benefit plan generally provided to all Belgium employees. Mr. Baert's benefit in the Belgium pension plan is frozen and no further contributions will be made by us to this plan on his behalf. Due to the fact that he is over age 60 and has transferred to Luxembourg, the assets in this plan are now fully owned by Mr. Baert. Beginning September 1, 2009, Mr. Baert became a participant in the standard defined contribution retirement benefit plan provided to all Luxembourg employees. The plan provides employees with individual retirement accounts funded by (1) an automatic Company-paid contribution of 5% of base pay up to a salary limit plus 15% of base pay in excess of the salary limit (100,000 for 2009), and (2) employee contributions up to the limit of 12,500 annually.

During 2008, the Committee reviewed the CEO's total compensation package among the peer companies and across the broader general industry. The Committee determined that it was in the

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best interests of the Company and our shareholders to provide a supplemental retirement benefit for Mr. Newlin that would be competitive with industry practices and serve as an additional retention vehicle. Thus, Mr. Newlin's Letter Agreement (which provides for the terms of Mr. Newlin's employment) was amended on July 16, 2008 to include certain retirement benefits. Specifically, the Letter Agreement was amended to provide that upon a Qualifying Separation from Service, Mr. Newlin will be entitled to annual supplemental retirement payments, payable in the form of a 15-year certain and continuous life annuity, conditioned upon Mr. Newlin's execution of a release and waiver. If Mr. Newlin dies or incurs a Disability prior to a Qualifying Separation from Service, he or his designated beneficiary also will be entitled to certain supplemental retirement payments. Generally, Mr. Newlin will be considered to have a Qualifying Separation from Service if (1) he attains the age of 55 and has at least five years of service with the Company, serving as Chairman and Chief Executive Officer at the time of his retirement (provided that if the Board, in its sole discretion, has identified a suitable successor for the position of Chief Executive Officer, he only needs to be serving as Chairman at the time of his retirement) and the PolyOne Board of Directors, in its sole discretion, has identified a suitable successor to the position of Chief Executive Officer; or (2) Mr. Newlin's employment is involuntarily terminated other than for serious cause or Mr. Newlin terminates employment for good reason following a change of control of the Company. Under the terms of the amended Letter Agreement, he will also be treated as a retiree for purposes of any SARs, RSUs, performance shares and performance units awarded to him as long-term incentive awards. In addition, he and his eligible dependents will have access to the same retiree medical benefits made available to all retirement eligible employees under our standard retiree medical benefit program, to the extent we continue to maintain such programs for the benefit of our retirees and their eligible dependents. Mr. Newlin will forfeit his rights to receive the supplemental retirement payments and retiree medical benefits if he engages in any conduct prohibited by his non-competition agreement or any acts that constitute fraud, embezzlement, and disclosure of confidential information or deliberate dishonesty.

Messrs. Rosenau and Smith are also eligible, along with certain other employees, to receive pension payments under a company-funded Internal Revenue Code qualified defined benefit pension plan as well as an unfunded, nonqualified defined benefit pension plan (the Qualified Pension Plan and Nonqualified Pension Plan, respectively). In addition, since becoming retirement eligible (55 years of age with 10 years of service), Messrs. Rosenau and Smith are eligible to receive certain retiree medical benefits for which they will be required to pay a portion of the cost. This plan will be phased out until its elimination in 2013. These plans existed prior to our formation in 2000 through the consolidation of Geon and M.A. Hanna and generally benefited all nonunion employees of Geon.

The amount of Messrs. Rosenau's and Smith's pension depends on a number of factors including monthly Final Average Earnings (FAE) and years of benefit service to us (Benefit Service). The Qualified Pension Plan provides a monthly lifetime benefit equal to 1.15% times FAE times Benefit Service plus 0.45% times FAE in excess of 2002 Covered Compensation (as defined by the Internal Revenue Code) times Benefit Service limited to 35 years.

The Nonqualified Pension Plan is similar to the Nonqualified Savings Plan in that it restores benefits lost in the Qualified Pension Plan due to Internal Revenue Code limitations on earnings and benefits. The Nonqualified Pension Plan benefit formula is the same as the Qualified Pension Plan except without the Internal Revenue Code qualified plan earnings limitations. The Nonqualified Pension Plan benefit is offset by the Qualified Pension Plan benefit.

The Qualified Pension Plan and Nonqualified Pension Plan were frozen to new entrants effective December 31, 1999. Benefit Service was frozen effective December 31, 2002 in both plans

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and, effective March 20, 2009, earnings under both plans were frozen for all participants. We decided to freeze these plans following a comprehensive retirement benefits review, during which the Committee examined whether our retirement programs were consistent with company goals, including fairness to all associates and competitiveness in the marketplace. With this change, we have a single and competitive retirement plan for our U.S.-based employees.

Messrs. Patterson and Baert do not participate in a defined benefit plan.

Perquisites

We provide certain perquisites to the Named Executive Officers, which we believe are competitive with the companies with which we compete for executive talent. Historically, these perquisites for those Named Executive Officers based in the United States include a monthly car allowance (except for Mr. Patterson), reimbursement of expenses for financial planning and tax preparation, an annual physical examination, and group insurance providing excess liability umbrella insurance coverage in an amount equal to \$5 million. In 2009, we also provided a tax gross up for imputed income on the receipt of reimbursement for financial planning and tax preparation and excess liability insurance. For Mr. Baert, perquisites typical and competitive with companies in Europe include a company provided automobile, meal and entertainment allowance, reimbursement of expenses for financial planning and tax preparation, and group insurance providing excess liability umbrella insurance coverage in an amount equal to \$5 million. The specific amounts attributable to perquisites for 2009 for the Named Executive Officers are disclosed in the Summary Compensation Table.

In order to align more closely with market practice, we made several changes to the perquisites provided to the Named Executive Officers based in the United States that were effective beginning January 1, 2010:

Eliminated the car allowance and replaced it with a benefit allowance;

Cancelled the excess liability insurance coverage; and

Eliminated tax gross-ups on all perquisites.

The benefit allowance and reimbursement of expenses for financial planning and tax preparation in 2010 and future years will be treated as taxable income and are the responsibility of the Named Executive Officers. We made no other changes to perquisites.

Mr. Patterson was eligible for reimbursement of his relocation expenses under our standard relocation plan. During 2009, we reimbursed Mr. Patterson for a portion of the amount he experienced as a loss on the sale of his former residence. Details of these amounts are provided in the footnotes to the All Other Compensation column in the Summary Compensation Table.

We believe that the perquisites we provide are consistent with market practices for senior executives and further our goals to attract and retain our leaders.

We also provide other benefits such as medical, dental and life insurance and disability coverage to each U.S.-based Named Executive Officer, which are identical to the benefits provided to all other eligible U.S.-based employees. Medical, dental and life insurance coverage for Mr. Baert is identical to the benefits provided to all other Luxembourg-based employees. We also provide vacation and paid holidays to all employees, including the Named Executive Officers. The Named Executive Officers are eligible for the following vacation: Mr. Newlin five weeks, Mr. Patterson four weeks, Mr. Rosenau six weeks, Mr. Smith five weeks, and Mr. Baert 26 days.

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We do not provide or reimburse for personal country club memberships for any Named Executive Officer. We do maintain a corporate membership to a country club that is used for customer entertainment and other business purposes. We pay the monthly dues for this membership and incur expenses only for these business purposes. Any personal use of this facility by a Named Executive Officer is at the officer's personal expense, with no incremental cost to us.

Compensation Oversight Processes

Salary Adjustments

During the first quarter, the Committee typically reviews executive compensation marketplace data provided by the Consultant. The resulting report benchmarks our executive compensation compared to our peer group and the market in general. In January 2009, we decided to freeze executive salaries due to the uncertain economic conditions, which negated the need for this review. In addition, the Committee reviews tally sheets that contain information regarding the executives' total annual compensation, termination benefits and wealth accumulation. A more detailed description of the tally sheets is provided under the heading "Review of Tally Sheets."

In the first quarter of the calendar year, based upon individual performance and results achieved, the Chief Executive Officer typically recommends for the Committee's review and approval specific salary adjustments for each of the executive officers, including the Named Executive Officers. The Chief Executive Officer makes his recommendations in conjunction with the marketplace data and input provided by the Consultant. He does not participate in any discussions with the Committee involving his own compensation. The Committee sets the target compensation at or near the median, with adjustments to account for our specific facts and circumstances. In 2009, management recommended and the Committee agreed that due to the deteriorating global economy and in an attempt to manage costs, Named Executive Officers as well as other officers of the Company would have their base salaries frozen for 2009.

For 2010, upon the recommendation of management, we determined again that no base salary increase would be provided to the CEO. It was the Committee's desire that the CEO be rewarded for achievement of specific performance objectives that would advance our profitability and, as a result, the Committee approved an increase in Mr. Newlin's target opportunity under the Annual Plan in lieu of a salary increase. See "Plan-Based Awards" below.

Plan-Based Awards

In the fourth quarter, the Committee typically reviews period-to-date performance and estimates of incentive payouts for the in-progress performance periods. In the first quarter of the following year, the Committee evaluates actual performance against pre-set goals and determines earnings under just-completed plan periods. Generally, the Committee approves payouts based on pre-set performance criteria and will not exercise discretion to increase an award. The Committee, however, has exercised its discretion to reduce an award.

In addition, annually the Committee and management typically review competitive total compensation data provided by the Consultant. Management uses the data to develop recommendations for eligibility, award opportunities, performance measures and goals for the plan periods to commence the subsequent year for the Committee's review. The Committee approves final terms of the Annual Plan in the fourth quarter and the Long-Term Incentive plan in the first quarter. For 2010, this review took place in the fourth quarter of 2009 for both plans. In order to align compensation more closely with the market median and to focus the participants on the performance goals critical to our success, the Committee approved an increase in the target annual

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incentive opportunity for certain Named Executive Officers. The Committee increased the target annual incentive opportunity for Mr. Patterson from 50% to 60%, and the target annual incentive opportunity for Messrs. Rosenau and Smith from 50% to 55%. Target incentive opportunities for the LTIP will return to the levels that were in place in 2008 because we reduced 2009 grants significantly in recognition of the decline in our stock price and general market conditions.

In order to recognize Mr. Newlin's role in transforming PolyOne into a specialty company and to reinforce the Committee's philosophy of performance oriented pay, the Committee approved an increase in his target annual incentive opportunity from 100% to 110% for 2010. In the Committee's judgment, the total compensation package provided to Mr. Newlin, as described under the heading "Employment Agreement with the Chief Executive Officer" below, is appropriate in order to fairly compensate and retain our Chief Executive Officer.

Review of Tally Sheets

The Committee and management annually review and consider tally sheets in connection with compensation decisions. Tally sheets, including all components of compensation, are reviewed by the Committee to determine the reasonableness of the compensation of our executive officers. Tally sheets are created collaboratively by the Consultant and our Human Resources department.

The tally sheets provide information regarding the Named Executive Officers as well as other officers' total annual compensation, termination benefits and wealth accumulation. Total annual compensation includes: salary, annual incentive, long-term incentive, perquisites, and retirement benefits. This information is comparable to the amounts reported in the Summary Compensation Table. Payments under various forms of termination are reviewed and disclosed elsewhere in this proxy statement.

Tax Considerations

Cash compensation, such as base salary or annual incentive compensation, is taxable to the recipient as ordinary income when earned, unless deferred under a company-sponsored deferral plan. Deferrals under tax-qualified plans, such as a 401(k) plan, do not affect our current tax deduction. Deferrals under supplemental executive deferral plans delay our tax deduction until the deferred amount (and any accumulation thereon) is paid. Stock-settled SARs are generally taxable as ordinary income when exercised and performance shares, RSUs and performance units are generally taxable when paid. We realize a tax deduction at that time. The Committee does review potential tax implications before making decisions regarding compensation.

Management and the Committee are aware of Section 162(m) of the Internal Revenue Code, which generally limits the deductibility of executive pay in excess of one million dollars, and which specifies the requirements for the performance-based exemption from this limit. The Committee generally manages our incentive programs to qualify for the performance-based exemption. It also reserves the right to provide compensation that does not meet the exemption criteria if, in its sole discretion, it determines that doing so advances our business objectives. We believe the compensation paid to our Named Executive Officers in 2009 is fully deductible.

Accounting Considerations

When reviewing preliminary recommendations and in connection with approving the terms of a given incentive plan period, management and the Committee review and consider the accounting implications of a given award, including the estimated expense and/or dilutive considerations. Depending upon the type of accounting treatment associated with an incentive plan design,

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management and the Committee may alter or modify the incentive award due to the accounting treatment if the award (and the related accounting consequences) were to adversely affect our financial performance.

Employment Agreement with the Chief Executive Officer

On February 6, 2006, we entered into an agreement with Mr. Newlin, under which he agreed to serve as our Chairman, President and Chief Executive Officer. The agreement provided for specified awards intended to serve as an inducement to join the company, for Mr. Newlin's initial base salary and for his participation in our various long-term incentive and benefit plans in effect during the term of his employment.

In addition, the agreement provides for certain payments upon termination of Mr. Newlin's employment, as described more fully in the Potential Payments Upon Termination or Change-of-Control section of this proxy statement. In October, 2007, this agreement was amended to ensure that any payments made pursuant to the agreement were in compliance with Section 409A of the Internal Revenue Code.

Mr. Newlin's agreement also provides for a supplemental retirement benefit, as described more fully in this Compensation Discussion and Analysis under the heading Retirement Benefits.

Employment Agreement with Bernard Baert

In connection with the change in location for our European headquarters, PolyOne Luxembourg S.a.R.L. (PolyOne Luxembourg), our wholly owned subsidiary located in Luxembourg, entered into an employment contract with Bernard Baert, effective September 1, 2009.

Among other things, the agreement provides that Mr. Baert will be entitled to a monthly base salary of 24,708, daily meal vouchers and the use of a company car. Under the agreement, Mr. Baert may also be eligible to participate in our Annual Plan and will be included in a defined contribution benefits cafeteria plan established by PolyOne Luxembourg. Pursuant to the terms of the agreement, Mr. Baert has agreed not to compete with us or with PolyOne Luxembourg for a period of twelve months after termination of the agreement.

Mr. Baert's agreement provides for certain payments upon termination of Mr. Baert's employment, as described more fully in the Potential Payments Upon Termination or Change-of-Control section of this proxy statement.

Termination Payments for Other Named Executive Officers

Effective May 25, 2006, the Committee approved the PolyOne Corporation Executive Severance Plan (the Executive Severance Plan) that is designed to provide severance protection to certain officers who are expected to make substantial contributions to our success and thereby provide for stability and continuity of operations. All of the Named Executive Officers participate in the Executive Severance Plan except Messrs. Newlin and Baert. Under the terms and conditions of the Executive Severance Plan, officers are entitled to receive Severance Payments upon their involuntary termination of employment for reasons other than cause, death or disability. The plan details and estimates of these payments are provided in the Potential Payments Upon Termination or Change-of-Control section of this proxy statement. These severance benefits are contingent upon our receipt of a signed release of all claims against us and signed non-compete, non-solicitation and non-disparagement agreements.

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Change of Control Payments

We have entered into management continuity agreements (Continuity Agreements) with all of our elected corporate officers, including each of the Named Executive Officers. These agreements are designed to provide severance protection should a change of control of PolyOne occur and the executive officer's employment be terminated either by us without cause or by the executive for good reason (as defined in the agreements). Generally, a change of control will be deemed to have occurred if (1) any person becomes the beneficial owner of 25% or more of the combined voting power of our outstanding securities (subject to certain exceptions); (2) there is a change in the majority of our Board of Directors; (3) certain corporate reorganizations occur where the existing shareholders do not retain more than 60% of the common shares and combined voting power of the outstanding voting securities of the surviving entity; or (4) there is shareholder approval of a complete liquidation or dissolution of PolyOne.

These agreements are intended to provide for continuity of management in the event of a change of control. The agreements are automatically renewed each year unless we give prior notice of termination of the Continuity Agreement. The agreements provide that covered executive officers could be entitled to certain severance benefits. The details of the severance payments and benefits are provided in the Potential Payments Upon Termination or Change-of-Control section of this proxy statement.

In order to provide additional protection in the event of a change of control, our equity awards and annual incentive provide for accelerated benefits in the event of a change of control. In addition, the terms of the performance units provide that in the event of a change of control, the participant is entitled to 100% of the performance units. In the event of a change of control and a termination of the executive's employment by us without cause or by the executive for good reason (as defined in the agreements), the SARs remain exercisable for their full term. These change of control provisions affect all participants in those programs, including the Named Executive Officers.

Compensation Policies

Timing with Respect to Equity Award Grants

In prior years, the base price of SARs has been set according to our practice as outlined in the 2005 Equity and Performance Incentive Plan based on the average of the high and low price of our common shares on the trading day immediately before the day the award was approved by the Committee. Effective with the approval of the 2008 Equity and Performance Incentive Plan, the practice was changed to set the base price of SARs (and the exercise price of any options granted) as the closing price of our common shares on the date of grant. Further, if we are in possession of material information that has not been publicly disclosed, the Committee will not grant equity awards until all such information is available to the public.

Stock Ownership Guidelines

In order to better align their financial interests with those of shareholders, we believe our executives should own a meaningful number of our shares. We have adopted share ownership guidelines specifying a minimum level of share ownership for all executives, including all Named Executive Officers. The specific levels of share ownership for the Named Executive Officers are noted in the following table. Executives are expected to accumulate the specified shares within five

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years of their becoming subject to the policy. The applicable guidelines are reduced after age 55 by 10% of the original level of ownership each year for five years.

In general, shares counted toward required ownership include shares directly held and shares held in our benefit or deferral plans (including RSUs, performance shares that have met the applicable performance criteria, and phantom shares under our nonqualified deferral plan). We amended our guidelines to add a stock retention component, which requires that executives retain half of all shares issued as compensation (net of taxes). This new feature became effective December 16, 2009. After age 55, the 50% retention requirement is reduced 10% each year for five years. These guidelines and retention requirements apply until the executive retires.

Element	Newlin	Patterson	Rosenau	Smith	Baert
Share Ownership Target (in shares)	288,000	40,000	100,000	100,000	50,000
Total Share Ownership as of 3/15/10	644,800	211,500	125,717	133,774	84,066
Attainment Status	223.9%	528.8%	125.7%	133.8%	168.1%

Note: Ownership targets have been reduced by 20% for Mr. Newlin and 50% for Mr. Baert, according to the applicable guideline pertaining to age reduction as discussed above. Mr. Newlin and Mr. Patterson have been with the Company less than five years and are not yet required to reach 100% of the full share ownership guideline (360,000 shares for Mr. Newlin and 100,000 shares for Mr. Patterson). The share ownership target for Mr. Newlin has been reduced to reflect he has been with the Company for four years and the share ownership target for Mr. Patterson has been reduced to reflect he has been with the Company for two years.

Repayment of Earned Incentives upon Restatement of Financial Results

We have adopted a policy that is consistent with the requirements of the Sarbanes-Oxley Act of 2002, which requires the Chief Executive Officer and Chief Financial Officer to reimburse us for any awards received during the twelve-month period following the release of financial results that subsequently require an accounting restatement due to material noncompliance with any financial reporting requirement if they are subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002.

Conclusion

Our executive compensation programs are competitive in the marketplace and linked to our performance. These programs allow us to attract and retain high-caliber executives. We believe the design of our compensation plans and the relative mix of compensation elements successfully motivates our executives and aligns both the short-term and long-term interests of employees and shareholders.

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation earned by, and the compensation opportunity granted to, our principal executive officer, our principal financial officer, and our other three most highly compensated executive officers during the fiscal year ended December 31, 2009 and the prior two fiscal years, if applicable.

and Position	Year	Salary (\$)	Bonus (\$)	Stock Awards⁽²⁾ (\$)	Option/ SAR Awards⁽³⁾ (\$)	Non- Equity Incentive Plan Compensation⁽⁴⁾ (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	\$
Newlin,	2009	\$ 860,000	\$	\$ 312,547	\$ 275,559	\$ 1,720,000	\$ 516,552 ⁽⁵⁾	\$ 138,847 ⁽⁷⁾	\$
	2008	831,731		771,931	648,168	1,044,150	4,341,255	135,106	
utive	2007	741,635			839,876	1,482,066		208,069	
	2009	415,000		60,325	53,223	415,000		198,924 ⁽⁸⁾	
d	2008	255,385		307,200	160,800	107,568		85,109	
cial	2009	335,000		35,179	31,042	314,398	142,521 ⁽⁶⁾	64,014 ⁽⁹⁾	
enau,	2009	336,000		35,179	31,042	336,000	121,177 ⁽⁶⁾	61,563 ⁽¹⁰⁾	
	2008	333,308		84,798	70,512	210,289	156,297	69,065	
ation	2007	323,712			159,315	149,053	189,074	76,485	
uman Officer									

Baert,	2009	424,953	28,194	24,898	283,974	78,259 ⁽¹¹⁾
Europe	2008	415,441	84,798	70,512	121,564	84,388
(1)	2007	421,668		144,609	166,263	86,727

- (1) Mr. Baert's compensation is based in Euros. The conversion rate used for purposes of converting the Euros earned by Mr. Baert into dollars for purposes of this table was 1.00 = \$1.43325, which is the conversion rate used in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
- (2) This column includes the grants of Performance Shares granted in 2009 to the Named Executive Officers under our 2008 Equity and Performance Incentive Plan. These grants are described more fully in the narrative following the 2009 Grants of Plan-Based Awards table and in the Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2009 Performance Shares section of this proxy statement. The amounts reflected in the table for 2009 represent the grant date fair value of the award computed in accordance with FASB Accounting Standards Codification (ASC) Topic 718. Additional information regarding assumptions made in the valuation of the award can be found in Note 16 of the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
- (3) This column includes the grants of target-priced, stock-settled SARs granted in 2009 to the Named Executive Officers under our 2008 Equity and Performance Incentive Plan. These grants are described more fully in the narrative following the 2009 Grants of Plan-Based Awards table and in the Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2009 Stock-Settled SARs section of this proxy statement. The amounts reflected in the table for 2009 represent the grant date fair value of the award computed in accordance with FASB Accounting Standards Codification (ASC) Topic 718. Additional information regarding assumptions made in the valuation of the award can be found in Note 16 of the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
- (4) This column reflects amounts earned by the Named Executive Officers under the Annual Plan. The terms of the plan are described more fully in the narrative following the 2009 Grants of Plan-Based Awards

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table and in the Compensation Discussion and Analysis Elements of Compensation Annual Incentive section of this proxy statement.

- (5) Mr. Newlin is entitled to a supplemental retirement benefit under his Letter Agreement (as amended on July 18, 2008), as described more fully in the Compensation Discussion and Analysis Elements of Compensation Retirement Benefits section of this proxy statement. The amount reflected in the table for 2009 reflects the change in net present value of the annual benefit payment that will be payable as a 15-year certain and continuous life annuity beginning at age 58.6 and assumes that Mr. Newlin has a Qualifying Separation from Service.
- (6) Among the Named Executive Officers, Messrs. Rosenau and Smith participate in the Qualified Pension Plan and the Nonqualified Pension Plan that existed prior to our formation in 2000 through the consolidation of Geon and M.A. Hanna. The aggregate actuarial present value of Messrs. Rosenau's and Smith's accumulated benefits under the Qualified Pension Plan and the Nonqualified Pension Plan increased by the amount shown in the table above. Above-market or preferential earnings are not available under any of our non-qualified deferred compensation plans.
- (7) Amounts under All Other Compensation for Mr. Newlin include tax gross-ups on personal benefits in the amount of \$9,807, PolyOne's cash contributions to our Qualified Savings Plan in the amount of \$15,925, PolyOne's cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of \$84,167 and excess liability umbrella insurance coverage in the amount of \$831. Mr. Newlin also received perquisites in 2009, reflected in the table, with the following incremental costs: car allowance (\$14,400), financial planning and tax preparation expenses (\$12,963), and an executive physical (\$754).
- (8) Amounts under All Other Compensation for Mr. Patterson include tax gross-ups on personal benefits (including a gross up on reimbursement for moving expenses described below) in the amount of \$68,126, PolyOne's cash contributions to our Qualified Savings Plan in the amount of \$7,870, PolyOne's cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of \$26,097 and excess liability umbrella insurance coverage in the amount of \$831. Mr. Patterson also received perquisites in 2009, reflected in the table, with the following incremental costs: reimbursement of moving expenses, including a portion of his loss on sale (\$90,000), incidental moving expenses (\$3,750), and financial planning and tax preparation expenses (\$2,250).
- (9) Amounts under All Other Compensation for Mr. Rosenau include tax gross-ups on personal benefits in the amount of \$5,331, PolyOne's cash contributions to our Qualified Savings Plan in the amount of \$25,227, PolyOne's cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of \$4,905, excess liability umbrella insurance coverage in the amount of \$831, return of contributions incorrectly made to the non-qualified deferred compensation plan in 2008 in the amount of \$6,752, reimbursement of a tax penalty related to under reporting of 2008 income due to the non-qualified deferred compensation plan error in the amount of \$1,350, and gross-up of the tax penalty in the amount of \$957. Mr. Rosenau also received perquisites in 2009, reflected in the table, with the following incremental costs: car allowance (\$12,000) and financial planning and tax preparation expenses (\$6,661).
- (10) Amounts under All Other Compensation for Mr. Smith include tax gross-ups on personal benefits in the amount of \$5,348, PolyOne's cash contributions to our Qualified Savings Plan in the amount of \$23,008, PolyOne's cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of \$13,690, and excess liability umbrella

insurance coverage in the amount of \$831. Mr. Smith also received perquisites in 2009, reflected in the table, with the following incremental costs: car allowance (\$12,000) and financial planning and tax preparation expenses (\$6,686).

- (11) Amounts under All Other Compensation for Mr. Baert include PolyOne's cash contributions to tax-efficient savings plans generally provided to all Belgium and Luxembourg employees, in the amount of \$52,316 and excess liability umbrella insurance coverage in the amount of \$831. Mr. Baert also received perquisites in 2009, reflected in the table, with the following incremental costs: company provided automobile (\$19,889), meal vouchers (\$2,081) and customer entertainment allowance (\$3,142).

Table of Contents**2009 GRANTS OF PLAN-BASED AWARDS**

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽²⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽⁴⁾			Exercise or Base Price of Option/ Awards ⁽⁵⁾ (\$/Sh)	Closing Market Price on Grant Date	Grant Date Fair Value of Stock and Options SAF Award
		Threshold ⁽³⁾ (\$)	Target (\$)	Maximum (\$)	Thershold (#)	Target (#)	Maximum (#)			
Newlin	(1)	258,000	860,000	1,720,000						
	3/5/2009	309,600	1,032,000	2,064,000						
	3/5/2009					426,100		1.43	1.43	275,500
	3/5/2009					246,100				312,500
Patterson	(1)	62,250	207,500	415,000						
	3/5/2009	59,760	199,200	398,400						
	3/5/2009					82,300		1.43	1.43	53,200
	3/5/2009					47,500				60,300
Rosenau	(1)	50,250	167,500	335,000						
	3/5/2009	36,180	120,600	241,200						
	3/5/2009					48,000		1.43	1.43	31,000
	3/5/2009					27,700				35,100
Smith	(1)	50,400	168,000	336,000						
	3/5/2009	36,300	121,000	242,000						
	3/5/2009					48,000		1.43	1.43	31,000
	3/5/2009					27,700				35,100

aert

(1)	63,743	212,476	424,953			
3/5/2009	45,150	150,500	301,000			
3/5/2009				38,500	1.43	1.43
3/5/2009				22,200		

- (1) There is no Grant Date for these awards. This row relates to awards made under our cash-based Annual Plan.
- (2) The first row of this column for each Named Executive Officer represents the annual cash incentive opportunity for the Named Executive Officers under the Annual Plan. The actual amount earned for 2009 under the Annual Plan is included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. The second row of this column for each Named Executive Officer represents the performance units awarded to each Named Executive Officer under our 2008 Equity and Performance Incentive Plan. Each performance unit is equal in value to \$1.00. These performance units are subject to achievement of specified performance goals over the performance period from January 1, 2009 to December 31, 2009. The performance units will be paid in cash, if earned, contingent upon the Named Executive Officer remaining in continuous employment through the payment date, which shall be in 2012 and shall occur no later than March 15, 2012.

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- (3) Threshold refers to the minimum amount payable upon reaching the threshold level of performance. If threshold performance is not attained, the participant will receive \$0 for this award.
- (4) The first row of this column for each Named Executive Officer represents stock-settled SARs granted under our 2008 Equity and Performance Incentive Plan that vest one-third per year over three years, but only upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ \$1.57; 1/3 @ \$1.72; and 1/3 @ \$1.86. The second row of this column for each Named Executive Officer represents stock-settled Performance Shares granted under our 2008 Equity and Performance Incentive Plan that vest upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ \$1.57; 1/3 @ \$1.72; and 1/3 @ \$1.86. Vested Performance Shares will be released three years from the date of grant. The award of SARs and Performance Shares provide a single estimated payout and, thus, the total number of SARS and Performance Shares granted in 2009 are reported in the Target column above.
- (5) In setting the base price of SARs, we have followed the practice of using the closing price on the grant date. This practice is in compliance with our 2008 Equity and Performance Incentive Plan. The award of stock-settled SARs that was granted on March 5, 2009 to the Named Executive Officers was priced using the grant date closing price of \$1.43.
- (6) This represents the grant date fair value of each equity-based award, computed in accordance with FASB Accounting Standards Codification (ASC) Topic 718. Additional information regarding assumptions made in the valuation of the award can be found in Note 16 of the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Set forth below is narrative disclosure relating to the Summary Compensation Table and the 2009 Grants of Plan-Based Awards table.

Senior Executive Annual Incentive Plan

Annual cash incentives for 2009 under our Annual Plan are based on achievement of performance goals relating to company operating income and consolidated working capital as a percentage of sales (for the corporate staff participants) and business unit operating income and consolidated working capital as a percentage of sales (for Messrs. Rosenau and Baert). Achievement of a performance goal at the threshold level results in payment of 30% of the targeted award for that performance goal; achievement of a performance goal at the target level results in a payment of 100% of the targeted award for that performance goal; and, achievement at the maximum level or greater results in payment of 200% of the targeted award for that goal. In no event will a Named Executive Officer receive an award that exceeds the plan maximum of \$2,000,000. If performance falls between the levels, the award payouts are interpolated. For a more detailed discussion of our annual incentive plan, see Compensation Discussion and Analysis Elements of Compensation Annual Incentive.

Cash-Settled Performance Units

Cash-settled performance units were granted in 2009 to all of our Named Executive Officers under our 2008 Equity and Performance Incentive Plan and are based on achievement of the performance goal, working capital as a percentage of sales, over a one-year period. If we achieve performance at the threshold level, 30% of the performance units will be earned; if we achieve performance at the targeted level, 100% of the performance units will be earned; and, if we achieve performance at the maximum level or greater, 200% of the performance units will be earned. If performance falls between the levels, the number of performance units earned is interpolated. For a more detailed discussion of the performance units granted in 2009, see Compensation Discussion and Analysis Elements of

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Stock-Settled SARs

In 2009, our Compensation Committee granted stock-settled SARs to the Named Executive Officers. These SARs have a term of seven years and vest one-third per year over three years, but only upon on achievement of performance criteria that require a 10%, 20% and 30% premium over the grant price. For a more detailed discussion of the stock-settled SARs granted in 2009, see Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2009 Stock-Settled SARs.

Performance Shares

In 2009, our Compensation Committee granted Performance Shares to the Named Executive Officers. The Performance Shares vest in one-third increments when a 10%, 20% and 30% premium in grant price is achieved over the three-year performance period, payable after three years. For a more detailed discussion of the Performance Shares granted in 2009, see Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2009 Performance Shares.

Employment Agreements

We do not have employment agreements with any of our Named Executive Officers, except for Messrs. Newlin and Baert. Mr. Newlin's and Mr. Baert's Employment Agreements are described in detail in the Compensation Discussion and Analysis Employment Agreement with the Chief Executive Officer, Compensation Discussion and Analysis Employment Agreement with Bernard Baert, and the Potential Payments Upon Termination or Change-of-Control sections of this proxy statement.

Table of Contents**2009 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Option/SAR Awards Equity Incentive Plan Awards:			Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable ⁽¹⁾ (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽²⁾ (\$)
S.D. Newlin						114,700 ⁽³⁾	856,809
						246,100 ⁽⁴⁾	1,838,367
	116,600 ⁽⁵⁾		58,300 ⁽⁵⁾	9.1850	2/20/2013		
	308,400 ⁽⁶⁾			6.5850	3/7/2014		
	95,600 ⁽⁷⁾	191,200 ⁽⁷⁾		6.7650	3/5/2015		
			426,100 ⁽⁸⁾	1.4300	3/4/2016		
R.M. Patterson						40,000 ⁽³⁾	298,800
						47,500 ⁽⁴⁾	354,825
	20,000 ⁽⁷⁾	40,000 ⁽⁷⁾		7.7200	5/14/2015		
			82,300 ⁽⁸⁾	1.4300	3/4/2016		
R.M. Rosenau						12,600 ⁽³⁾	94,122
						27,700 ⁽⁴⁾	206,919
			14,400 ⁽⁹⁾	8.9400	1/4/2012		
	23,800 ⁽⁵⁾		11,900 ⁽⁵⁾	6.5100	1/3/2013		
	55,200 ⁽⁶⁾			6.5850	3/7/2014		

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10,400 ₍₇₎	20,800 ₍₇₎		6.7650	3/5/2015
		48,000 ₍₈₎	1.4300	3/4/2016
200			9.0000	9/4/2010
6,900			8.7000	2/27/2011
6,900			12.2200	3/25/2012
5,372			6.0000	3/31/2013

K.M. Smith

12,600₍₃₎ 94,122
27,700₍₄₎ 206,919

		18,600 ₍₉₎	8.9400	1/4/2012
29,800 ₍₅₎		14,900 ₍₅₎	6.5100	1/3/2013
58,500 ₍₆₎			6.5850	3/7/2014
10,400 ₍₇₎	20,800 ₍₇₎		6.7650	3/5/2015
		48,000 ₍₈₎	1.4300	3/4/2016
200			9.0000	9/4/2010
42,700			8.7000	2/27/2011
49,500			12.2200	3/25/2012
39,100			6.0000	3/31/2013

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Name	Option/SAR Awards Equity Incentive Plan Awards:				Stock Awards		
	Number of Securities Underlying Unexercised Options Exercisable ⁽¹⁾ (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) _{12,600⁽³⁾}	Market Value of Shares or Units of Stock That Have Not Vested ⁽²⁾ (\$) _{94,122}
B. Baert			18,600 ⁽⁹⁾	8.9400	1/4/2012		
	25,000 ⁽⁵⁾		12,500 ⁽⁵⁾	6.5100	1/3/2013		
	53,100 ⁽⁶⁾			6.5850	3/7/2014		
	10,400 ⁽⁷⁾	20,800 ⁽⁷⁾		6.7650	3/5/2015		
			38,500 ⁽⁸⁾	1.4300	3/4/2016	22,200 ⁽⁴⁾	165,834
	200			9.0000	9/4/2010		
	41,000			8.7000	2/27/2011		
	47,500			12.2200	3/25/2012		

(1) This column shows the fully-exercisable stock options and SARs previously granted to the Named Executive Officers.

(2) Based on the closing market price of our common shares on the last trading day of the 2009 fiscal year, December 31, 2009 (\$7.47).

(3) These RSUs were granted in 2008 and vest on the third anniversary of the date of grant.

(4) These stock-settled Performance Shares were granted in 2009 and vest upon the attainment of target prices (sustained for three consecutive trading dates) for our common shares as follows: 1/3 @ \$1.57; 1/3 @ \$1.72; and 1/3 @ \$1.86. Vested Performance Shares will be released 3 years from the date of grant.

- (5) These stock-settled SARs were granted in 2006 and vest upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ \$7.50; 1/3 @ \$8.50; and 1/3 @ \$10.00. In no event may the SARs vest sooner than one year from the date of grant.
- (6) These stock-settled SARs were granted in 2007 and vest upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ \$7.24; 1/3 @ \$7.90; and 1/3 @ \$8.56. In no event may the SARs vest sooner than one year from the date of grant.
- (7) These stock-settled SARs were granted in 2008 and vest one-third on each of the first three anniversaries of the date of grant.
- (8) These stock-settled SARs were granted in 2009 and vest ratably over three years upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ \$1.57; 1/3 @ \$1.72; and 1/3 @ \$1.86. In no event may the SARs vest sooner than one year from the grant date.
- (9) These stock-settled SARs were granted in 2005 and vest upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ \$9.84; 1/3 @ \$10.73; and 1/3 @ \$11.63.

Table of Contents**2009 OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting ⁽¹⁾ (#)	Value Realized on Vesting ⁽²⁾ (\$)
S.D. Newlin			134,600	\$300,158
R.M. Patterson				
R.M. Rosenau				
K.M. Smith				
B. Baert				

(1) Represents the release of restricted shares (less shares required to satisfy tax withholding requirements) to Mr. Newlin upon their vesting.

(2) Based on the closing market price of our common shares on the last trading day prior to the vesting date, February 20, 2009 (\$2.23).

2009 PENSION BENEFITS

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
S.D. Newlin	Supplemental Retirement benefit under Letter Agreement		\$ 4,857,807 ⁽¹⁾	0
R.M. Patterson	N/A			
R.M. Rosenau	PolyOne Merged Pension Plan	26.0	662,707 ⁽²⁾	0
	The Geon Company Section 401(a)(17) Benefit Restoration Plan	26.0	498,720 ⁽²⁾	0

K.M. Smith	PolyOne Merged Pension Plan	17.4	424,954 ⁽²⁾⁽³⁾	0
	The Geon Company Section 401(a)(17) Benefit Restoration Plan	17.4	541,552 ⁽²⁾⁽⁴⁾	0
B. Baert	N/A			

- (1) The Present Value of Accumulated Benefit shown above for Mr. Newlin is the lump-sum value as of December 31, 2009 of the annual benefit payment earned as of December 31, 2009 that will be payable under Mr. Newlin's Amended and Restated Letter Agreement, dated as of July 16, 2008, providing for a 15-year certain and continuous life annuity beginning at age 58.6. Lump sum payments are not allowed under the plan. The assumptions used to determine the lump-sum value are a discount rate of 6.18% and a post-retirement mortality using the RP-2000 Combined Healthy Mortality Tables for males projected by scale AA to 2010.
- (2) The Present Value of Accumulated Benefit shown above for each plan for Messrs. Rosenau and Smith is the lump-sum value as of December 31, 2009 of the pension benefit earned as of December 31, 2009 that would be payable under that plan for Messrs. Rosenau's and Smith's life beginning at age 62 (the earliest age prior to the Normal Retirement Age of 65 when benefits can commence unreduced for early retirement). Lump sum payments are not allowed under either plan. The assumptions used to determine the lump-sum value are a discount rate of 6.18% and a post-retirement mortality using the RP-2000 Combined Healthy Mortality Tables for males projected by Scale AA to 2010. No pre-retirement decrements are assumed.

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- (3) Mr. Smith's Number of Years Credited Service includes four additional years of pension service discussed in the narrative following the 2009 Pension Benefit table. Without the four additional years of pension service, the Present Value of Accumulated Benefit would have been \$327,387 instead of the \$424,954 shown in the table. Subsequent earnings under the qualified and non-qualified plan were frozen effective March 20, 2009.
- (4) Mr. Smith's Number of Years Credited Service includes four additional years of pension service discussed in the narrative following the 2009 Pension benefit table. Without the four additional years of pension service, the Present Value of Accumulated Benefit would have been \$417,214 instead of the \$541,552 in the table. Subsequent earnings under the qualified and non-qualified plan were frozen effective March 20, 2009.

As a result of the continuation of plans that existed prior to the consolidation of Geon and M.A. Hanna, we maintain two defined benefit plans for those employees who were with those companies at the time of the consolidation. As of December 31, 1999, both plans were closed to new participants. Effective March 20, 2009, both plans were frozen so that participants no longer earn additional benefits. Only Messrs. Rosenau and Smith participate in these Pension Plans.

One plan is The PolyOne Merged Pension Plan, which provides funded, tax-qualified benefits subject to the limits on compensation and benefits under the Internal Revenue Code (the "Qualified Plan"). The other plan is The Geon Company Section 401(a)(17) Benefit Restoration Plan (the "Benefit Restoration Plan"), which provides unfunded, non-qualified benefits that are in addition to those offered under the Qualified Plan. The Benefit Restoration Plan benefits are calculated under a formula similar to that of the Qualified Plan, but without the compensation and benefit limits imposed by the Internal Revenue Code on qualified plans. The benefits under the Benefit Restoration Plan are offset by benefits provided under the Qualified Plan. The Qualified Plan makes available a pension that is paid from funds in trust provided through contributions by us. Any pension benefit provided under the Benefit Restoration Plan is paid from our general assets.

The amount of the executive's pension depends on a number of factors including Final Average Earnings (FAE) and years of credited Benefit Service. FAE is determined based on the highest four consecutive calendar years of an employee's earnings. Earnings include salary, overtime pay, holiday pay, vacation pay, and certain incentive payments including annual cash bonuses, but exclude awards under long-term incentive programs and the match by us in the qualified savings plans. The annual salary and bonus for the current year for the Named Executive Officers is indicated in the Summary Compensation Table.

The Qualified Pension Plan and Nonqualified Pension Plan were frozen to new entrants effective December 31, 1999. Benefit Service was frozen effective December 31, 2002 in both plans and, effective March 20, 2009, earnings under both plans were frozen for all participants. We decided to freeze these plans following a comprehensive retirement benefits review, during which the Committee examined whether our retirement programs were consistent with company goals, including fairness to all associates and competitiveness in the marketplace. With this change, we have a single and competitive retirement plan for our U.S.-based employees.

The combined Plans generally provide a benefit of 1.15% of FAE, times all years of pension service credit, plus 0.45% of FAE in excess of 2002 covered compensation (as defined by the Social Security Administration) times years of pension credit up to 35 years. In addition, those executives who were actively at work on December 31, 1989, may receive an additional pension service credit of up to four years if actual pension service credit is less than 24 years. Benefits become vested after five years of service and are generally payable on a monthly lifetime basis starting at age 65.

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A former employee can elect to commence vested benefit payments as early as age 55 in lieu of waiting to age 65. However, the benefit described above is subject to reduction in recognition of the additional payments that are received because of early commencement. The reduction for early retirement is determined differently depending on whether the former employee terminated employment before or after attaining age 55. If an employee terminates employment on or after age 55 and commences his or her benefit before age 62, the benefit payments would be reduced by 0.5% per month. If an employee terminates employment before age 55 and commences his or her benefit before age 65, the reduction is more severe and is determined on an actuarially equivalent basis. No reduction will occur if an employee (1) terminates employment on or after age 55 and commences his or her benefit on or after age 62 or (2) terminates employment before age 55 and commences his or her benefit at age 65.

The normal form of payment provides that an employee will receive his or her benefit in a lifetime payment with a minimum of 60 monthly payments guaranteed. Married participants receive payments in an actuarially equivalent 50% Joint and Survivor form. Other actuarially equivalent monthly lifetime forms of payments are available if elected by the participant with spousal agreement if married. Lump sum payments are not available.

In general, if a married, vested participant dies prior to commencing his pension benefit then the spouse is eligible to receive the benefit that would have otherwise been payable had the participant terminated employment on the day he died, survived to his Normal Retirement Date and elected a 50% Joint and Survivor form of payment and then immediately died. The 50% Joint and Survivor provides the surviving spouse with monthly lifetime payments at the participant's Normal Retirement Age equal to 50% of the benefit that otherwise would have been payable. Payments can commence prior to the participant's Normal Retirement Age but may be reduced for early commencement.

Mr. Newlin is also eligible for supplemental retirement benefits as described more fully in the Compensation Discussion and Analysis Elements of Compensation Retirement Benefits section of this proxy statement.

Table of Contents**2009 NONQUALIFIED DEFERRED COMPENSATION**

	Executive Contributions in Last FY⁽¹⁾ (\$)	Registrant Contributions in Last FY⁽²⁾ (\$)	Aggregate Earnings in Last FY⁽³⁾ (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FY⁽⁴⁾ (\$)
S.D. Newlin	\$ 77,139	\$ 84,167	\$ 15,283	\$	\$ 580,777
R.M. Patterson	103,385	26,097	43,063		214,084
R.M. Rosenau		4,905	2,254		67,894
K.M. Smith	12,083	13,690	48,954		282,812
B. Baert					

- (1) These amounts reflect actual amounts earned by the Named Executive Officers in 2009 that have been deferred on a voluntary basis. The amounts reflected in this column are included in the Summary Compensation Table as follows:

Name	2009 Salary Column	2008 Non-Equity Incentive Plan Compensation Column
S.D. Newlin	\$ 41,677	\$ 35,462
R.M. Patterson	83,798	19,587
R.M. Rosenau		
K.M. Smith	12,083	
B. Baert		

- (2) This column contains contributions by us in the last fiscal year under our non-qualified retirement plan, the PolyOne Supplemental Retirement Benefit Plan, which provides for benefits in excess of amounts permitted to be contributed under our qualified retirement plan, as follows: (a) our cash contributions in amounts equal to 100% on the first 3% of employee contributions plus 50% on the next 3% of employee contributions (the Company Match) and (b) a retirement contribution by us in an amount equal to 2% of eligible earnings (the Retirement Contribution). Mr. Baert does not currently participate in this plan or any other non-qualified deferred compensation plan. The following table breaks out the contributions made by us in 2009 under each of the types of contributions described above:

Company Contribution	Newlin	Patterson	Rosenau	Smith	Baert
Company Match	57,854	20,546		9,062	
Retirement Contribution	26,313	5,551	4,905	4,628	

All of these amounts are included in the All Other Compensation column of the Summary Compensation Table.

- (3) Because amounts included in this column do not include above-market or preferential earnings, none of these amounts are included in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the Summary Compensation Table.
- (4) A portion of the balance reflected in the table represents amounts earned by the executives, which they have elected to defer on a voluntary basis. Messrs. Rosenau and Smith also have balances in a frozen non-qualified deferred compensation plan sponsored by our predecessor company, Geon. The Geon Company Section 401(a)(17) Benefit Restoration Plan amounts are reflected in the table.

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We currently offer participation in a non-qualified deferred compensation retirement plan, called the PolyOne Supplemental Retirement Benefit Plan. This plan is an unfunded, nonqualified plan that provides benefits similar to our Qualified Savings Plan, but without Internal Revenue Code contribution and earnings limitations. The Named Executive Officers are permitted to elect to defer up to 50% of their salary and annual bonus into the plan. The amounts deferred are credited to accounts selected by the executive that mirror the investment alternatives available in our qualified retirement plan, except that participants cannot elect the PolyOne stock fund with respect to amounts deferred under the non-qualified plan. Each Named Executive Officer who is a participant in the supplemental plan is 100% vested in that portion of his or her account that is attributable to elective deferrals, the Transition Contribution and the Company Match. Effective March 20, 2009, the Transition Contribution was eliminated for all participants. Further, Named Executive Officers who are participants in the plan are vested in the Retirement Contribution (as defined above) upon three years of service. A Named Executive Officer's vested accounts will commence to be paid to such executive within 30 days of the date of the executive's termination of employment with us in the form of payment selected by the executive (lump sum payment or payment in installments over a period not exceeding 10 years) on an election form received by us.

The PolyOne Supplemental Retirement Benefit Plan and the frozen plans are subject to the rules of Section 409A of the Internal Revenue Code, which restricts the timing of distributions. Thus, payment, or commencement of payment, to the Named Executive Officers of their accounts may need to be delayed by six months from such executive's separation from service with us.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-OF-CONTROL

Our Named Executive Officers' employment may be terminated under several possible scenarios. In certain of these scenarios, our plans, agreements, arrangements or typical practices would provide severance benefits in varying amounts to the executive. We do not have employment agreements with our Named Executive Officers, other than Messrs. Newlin and Baert. We do have Continuity Agreements with each of our Named Executive Officers, which provide for specified benefits upon a termination of employment following a change of control and each of our Named Executive Officers, other than Messrs. Newlin and Baert, participate in our Executive Severance Plan. Further, our plans, agreements and arrangements may provide for specified benefits upon a change of control (or for acceleration of such benefits). Severance and other benefits that are payable upon a termination of employment and/or upon a change of control are described below. The tables following the narrative discussion summarize the amounts payable upon termination or a change of control under certain circumstances, assuming that the executive's employment terminated on December 31, 2009.

Management Continuity Agreements

Messrs. Newlin, Patterson, Rosenau, Smith and Baert are parties to Continuity Agreements with us. The purpose of the Continuity Agreements is to encourage the individuals to carry out their duties in the event of the possibility of a change of control of PolyOne. The Continuity Agreements do not provide any assurance of continued employment unless there is a change of control. Generally, a change of control is deemed to have occurred if:

any person becomes the beneficial owner of 25% or more of the combined voting power of our outstanding securities (subject to certain exceptions);

there is a change in the majority of our Board of Directors;

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certain corporate reorganizations occur where the existing shareholders do not retain more than 60% of the common shares and combined voting power of the outstanding voting securities of the surviving entity; or

there is shareholder approval of a complete liquidation or dissolution of PolyOne.

The Continuity Agreements generally provide for the continuation of employment of the individuals (for a period of two or three years, depending on the executive) in the same positions and with the same responsibilities and authorities that they possessed immediately prior to the change of control and with the same benefits and level of compensation.

If a change of control occurs and the Named Executive Officer's employment is terminated by us or a successor for reasons other than cause or is terminated voluntarily by the individual for good reason, generally the Continuity Agreements provide that the individual would be entitled to receive:

a lump sum payment of two or three years of base salary, depending on the executive;

a payment of up to two or three times (depending on the executive) the executive's targeted annual incentive amount in effect prior to the change of control;

reimbursement for costs of employee health and welfare benefits for up to two or three years (depending on the executive) equal to the difference between (1) the amount the executive is required to pay for such coverage and (2) the amount the executive would have been required to pay if he had paid the same percentage of the cost that a similarly situated employee would pay as of the date of the executive's termination of employment, plus reimbursement for any taxes imposed as a result of the reimbursement for health care coverage;

a financial planning/tax preparation allowance equal to the annual financial planning/tax preparation allowance the executive was entitled to receive prior to the change of control;

a payment based on the difference between what the executive is entitled to receive under certain retirement plans and what the executive would have received under such retirement plans if he had accumulated two or three (depending on the executive) additional years of service under such plans;

a lump sum payment equal to the company contributions required to be made to certain retirement plans on behalf of the executive for the year of the change of control or the year of termination; and

a tax gross-up for any excise tax due under the Internal Revenue Code for any payments or distributions made under the agreements.

All of the above severance benefits would be paid to the executive in accordance with, and at times permitted by, Section 409A of the Internal Revenue Code.

Under the terms of the Continuity Agreements, cause is defined generally to include: (1) following notice and an opportunity to cure, the willful and continued failure of the executive to substantially perform his duties, which causes material and demonstrable injury to the company; or (2) the willful engaging by the executive in other gross misconduct materially and demonstrably injurious to the company.

Further, under the terms of the Continuity Agreements, good reason is defined generally to include:

changes in duties, responsibilities, reporting relationships and status that constitute a material demotion;

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the assignment of duties or responsibilities that are materially inconsistent with, or materially and adversely change, the executive's positions, duties, responsibilities or reporting relationships and status;

a reduction in base salary or target incentive;

the failure to continue employee benefits or perquisites on a substantially equivalent basis;

the requirement to change the principal location of the executive's work, which results in an additional commute of more than 50 miles;

the requirement for increased travel (one-third more) away from the executive's office;

the failure of a successor to assume the Continuity Agreement; or

a termination of employment that does not comply with the Continuity Agreement.

For the Chief Executive Officer, "good reason" also includes his election to terminate employment for any reason during the 30-day period immediately following the first anniversary of the change of control.

To the extent a payment or benefit that is paid or provided under a Continuity Agreement would also be paid or provided under the terms of another plan, program, agreement, arrangement or legal requirement, the executive would be entitled to payment under the Continuity Agreement or such other applicable plan, program, agreement, arrangement or legal requirement, whichever provides for greater benefits, but would not be entitled to benefits under both the Continuity Agreement and such other plan, program, agreement, arrangement or legal requirement.

In addition, in order to receive payment and benefits under the Continuity Agreement, the Named Executive Officer must execute a release of claims against us and is subject to confidentiality, non-compete and non-solicitation covenants for two or three years (depending on the executive).

Employment Agreement with Mr. Newlin

We have entered into a letter agreement with Stephen D. Newlin, pursuant to which Mr. Newlin agreed to serve as our Chairman, President and Chief Executive Officer. The agreement provides that if (i) Mr. Newlin's employment is terminated by us without serious cause (as defined in our Employee Transition Plan), (ii) Mr. Newlin is not otherwise entitled to receive benefits under his Continuity Agreement (discussed above) and (iii) Mr. Newlin agrees to standard non-compete and non-solicitation covenants for a period of 36 months following the date of termination, Mr. Newlin will be entitled to 36 months of salary continuation, car allowance and financial planning/tax preparation allowance, a pro-rated annual incentive amount as earned for the year in which the termination of employment occurs and reimbursement for the costs previously paid by us while Mr. Newlin was employed for the continued coverage for 24 months in our medical and dental plans (but not life insurance, short-term disability or long-term disability), plus any taxes imposed as a result of such reimbursement.

Mr. Newlin is also entitled to supplemental retirement benefits under his Letter Agreement if his employment is involuntarily terminated other than for Serious Cause or if Mr. Newlin terminates employment for "Good Reason" (as defined above) following a change of control. For this purpose, Serious Cause has the meaning ascribed to such term in the PolyOne Employee Transition Plan as amended from time to time, and also includes any breach of the Letter Agreement or certain other agreements between us and Mr. Newlin. These supplemental retirement benefits are described more

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fully in the Compensation Discussion and Analysis Elements of Compensation Retirement Benefits section of this proxy statement.

Employment Agreement with Mr. Baert

Our wholly-owned subsidiary, PolyOne Luxembourg, has entered into an Undetermined Time Employment Contract with Mr. Baert, in connection with the change in location of our European headquarters from Belgium to Luxembourg. There is no specified employment term under this agreement. PolyOne Luxembourg may terminate the agreement with the legal notice period required by the Luxembourg Labor Code or immediately for gross misconduct. If PolyOne Luxembourg terminates the agreement for any reason other than gross misconduct, Mr. Baert will be entitled to a severance package based on the Luxembourg Labor Code, provided that the amount of such severance package shall not be less than the amount that Mr. Baert would have received under the formula provided under his former employment with our Belgian subsidiary. Presently, taking into account Mr. Baert's level of remuneration, seniority and age, if the agreement were terminated by PolyOne Luxembourg for any reason other than gross misconduct, Mr. Baert would be entitled to receive an amount equal to 27 months of remuneration (defined as Mr. Baert's average base salary, incentives and bonuses over the last 36 months plus the value of the use of a company car, meal vouchers, PolyOne Luxembourg's contribution to the defined contribution pension plan and all other regular payments or benefits granted by his employer). The agreement specifically provides that Mr. Baert is not entitled to any severance benefits other than those provided by law or under the agreement and that the Executive Severance Plan does not apply to him. The specific amounts payable to Mr. Baert under his agreement are summarized in the tables following this narrative discussion.

Executive Severance Plan

On May 25, 2006, our Compensation and Governance Committee approved the adoption of the Executive Severance Plan. The Executive Severance Plan provides for severance payments to our executive officers and other elected officers upon certain terminations of employment.

For the Named Executive Officers other than Messrs. Newlin and Baert, the Executive Severance Plan provides that, if we terminate the employment of a Named Executive Officer for any reason other than cause, the Named Executive Officer will be entitled to receive:

salary continuation payments in an amount equal to two times the Named Executive Officer's base salary;

a pro rata payment of his annual bonus for the year of termination;

reimbursement for the costs previously paid by us for continued coverage for two years in our medical, dental and vision plans plus any taxes imposed as a result of such reimbursement; and

fees for outplacement benefits for a period of 12 months.

We do not have to make payments to any Named Executive Officer under the Executive Severance Plan if he is entitled to receive payment under a Continuity Agreement discussed above. In addition, in order to receive payment and benefits under the Executive Severance Plan, the Named Executive Officer must execute a release of claims against us and is subject to confidentiality, non-compete, non-solicitation and non-disparagement covenants during the two-year severance period.

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Senior Executive Annual Incentive Plan

The Annual Plan provides opportunities to our key executives to receive incentive compensation as a reward for high levels of performance above the ordinary performance standards compensated by base salary, without limiting our ability to deduct that expenditure for federal income tax purposes. Currently, all of our Named Executive Officers participate in the Annual Plan. The Annual Plan provides that, if a change of control occurs, we are required to pay each participant an interim lump-sum cash payment equal to the product of the number of months that have elapsed in the calendar year prior to the change of control and one-twelfth of the participant's target annual incentive award in effect prior to the change of control. We have the obligation to make a final payment under the terms of the Annual Plan for the plan year in which the change of control occurs, but may offset the amount of any interim payment made.

Under the Annual Plan, a change of control is deemed to have occurred if:

any person becomes the beneficial owner of 20% or more of the combined voting power of our outstanding securities (subject to certain exceptions);

there is a change in the majority of our Board of Directors;

certain corporate reorganizations occur where the existing shareholders do not retain more than 60% of the common shares and combined voting power of the outstanding voting securities of the surviving entity; or

there is shareholder approval of a complete liquidation or dissolution of PolyOne.

Equity/Long-Term Incentive Awards

Each of the agreements evidencing outstanding awards of restricted stock, stock options, stock appreciation rights and performance units provides that the vesting of such award will accelerate upon a change of control. For this purpose a change of control is defined, in some instances, the same as in the Annual Plan and, in other instances, the same as in the Continuity Agreements.

Retirement Benefits

Our defined benefit retirement benefit plans applicable to Messrs. Rosenau and Smith also have provisions relating to the termination of the participants' employment with us. Mr. Newlin's supplemental retirement benefit under his Letter Agreement also has provisions relating to the termination of his employment with us. These payments are described more fully in the disclosure provided in connection with the 2009 Pension Benefits table contained in this proxy statement.

Payments and Benefits Upon Termination As of the End of Fiscal Year 2009

The following tables summarize the amounts payable upon termination under specified circumstances or upon a change of control. The data in the tables assumes that each triggering event listed in the tables occurred on December 31, 2009 and that the stock price for our common shares is \$7.47, the closing sales price of our common shares on December 31, 2009.

Table of Contents**STEPHEN D. NEWLIN**

	Voluntary Termination or Retirement⁽¹⁾ (No COC; or, Following a COC, without Good Reason) (\$)	Involuntary Termination with Cause (Including Following a COC) (\$)	Death/Disability (\$)	Involuntary Termination without Cause (No COC) (\$)	Involuntary Termination without Cause or for Good Reason (Following a COC) (\$)
Cash Severance Benefit (salary continuation and multiple of annual incentive payments)	\$	\$	\$	\$ 2,580,000	\$ 5,160,000
Annual Incentive for Year of Termination				1,720,000	1,720,000
Cash LTIP-Vesting of Performance Units			1,257,249 ⁽²⁾	1,257,249	3,109,100
Equity Awards					
- Restricted Stock Units/Performance Shares ⁽³⁾			1,028,148	1,028,148	2,695,176
- Unexercisable Stock Options/SARs ⁽³⁾			777,207	777,207	2,708,440
Other Benefits					
- Continuation of Medical, Dental and Vision Benefits including tax gross-up				43,508	65,268
- Continuation of Other Benefits (car allowance; other welfare benefits)				45,693	15,231
				39,000	13,000

- Financial Planning
Services

- Outplacement Benefits

- Additional Company
Contribution for Defined
Contribution Plans Under
the Management
Continuity Agreement

335,400

Excise Tax Gross Up⁽⁴⁾

4,894,869

**SUB-TOTAL
(Benefits Triggered
Upon a Termination of
Employment)**

3,062,604

7,490,805

20,716,484

**PLAN
BALANCES/VESTED
BENEFITS**

Defined Contribution
Plan(s) Balances (includes
the Retirement Savings
Plan and the Supplemental
Retirement Benefit Plan)⁽⁵⁾

714,457

714,457

714,457

714,457

714,457

Present Value of Accrued
Pension
Benefit⁽⁶⁾

3,523,463/

4,641,633⁽⁷⁾

4,641,633

4,641,633

**TOTAL
(Includes Benefits that
are Vested and
Currently Payable to the
Executive)**

714,457

714,457

7,300,524/

8,418,694⁽⁷⁾

12,846,895

26,072,574

(1) Retirement is defined as the executive's attainment of age 55 with five years of service.

(2) Assumes achievement of performance goals at the target level for the performance periods ending in 2010 and achievement of performance goals at the actual level for the performance periods ending in 2009.

(3) Assumes a constant share price of \$7.47, the closing sales price of our common shares on December 31, 2009.

(4) This assumes that the presumption that any arrangement entered into within 12 months of a change of control is a parachute payment under Section 280G of the Internal Revenue Code is rebutted and, thus, the retirement benefit for Mr. Newlin is not considered a parachute payment for purposes of the calculations in the table.

(5)

This row represents the balance(s) of the account(s) at year-end and consists of both executive deferrals and company contributions.

- (6) The numbers shown in the table are illustrative only because lump sum payments are not available.
- (7) The first number represents payments received upon death and the second number represents payments received upon disability.

Table of Contents**ROBERT M. PATTERSON**

	Voluntary Termination or Retirement⁽¹⁾ (No COC; or, Following a COC, without Good Reason) (\$)	Involuntary Termination with Cause (Including Following a COC) (\$)	Death/Disability (\$)	Involuntary Termination without Cause (No COC) (\$)	Involuntary Termination without Cause or for Good Reason (Following a COC) (\$)
Cash Severance Benefit (salary continuation and multiple of annual incentive payments)	\$	\$	\$	\$ 830,000	\$ 1,867,500
Annual Incentive for Year of Termination				415,000	415,000
Cash LTIP-Vesting of Performance Units			109,878 ⁽²⁾	0	199,200
Equity Awards					
- Restricted Stock Units/Performance Shares ⁽³⁾			260,495		653,625
- Unexercisable Stock Options/SARs ⁽³⁾			137,098		497,092
Other Benefits					
- Continuation of Medical, Dental and Vision Benefits including tax gross-up				43,870	65,808
- Continuation of Other Benefits (car allowance; other welfare benefits)					831
- Financial Planning Services					10,000

- Outplacement Benefits				9,000	
- Additional Company Contribution for Defined Contribution Plans Under the Management Continuity Agreement					121,390
Excise Tax Gross Up					1,052,466
SUB-TOTAL (Benefits Triggered Upon a Termination of Employment)	507,471		1,297,870		4,882,912
PLAN BALANCES/VESTED BENEFITS					
Defined Contribution Plan(s) Balances (includes the Retirement Savings Plan and the Supplemental Retirement Benefit Plan) ⁽⁴⁾	254,741	254,741	254,741	254,741	254,741
Present Value of Accrued Pension Benefit					
TOTAL (Includes Benefits that are Vested and Currently Payable to the Executive)	254,741	254,741	762,212	1,552,611	5,137,653

(1) Retirement is generally defined as the executive's attainment of age 55 with 10 years of service.

(2) Assumes achievement of performance goals at the target level for the performance periods ending in 2010 and achievement of performance goals at the actual level for the performance periods ending in 2009.

(3) Assumes a constant share price of \$7.47, the closing sales price of our common shares on December 31, 2009.

(4) This row represents the balance(s) of the account(s) at year-end and consists of both executive deferrals and company contributions.

Table of Contents**ROBERT M. ROSENAU**

	Voluntary Termination or Retirement⁽¹⁾ (No COC; or, Following a COC, without Good Reason) (\$)	Involuntary Termination with Cause (Including Following a COC) (\$)	Death/Disability (\$)	Involuntary Termination without Cause (No COC) (\$)	Involuntary Termination without Cause or for Good Reason (Following a COC) (\$)
Cash Severance Benefit (salary continuation and multiple of annual incentive payments)	\$	\$	\$	\$ 670,000	\$ 1,507,500
Annual Incentive for Year of Termination				314,398	314,398
Cash LTIP-Vesting of Performance Units	140,923 ⁽²⁾		140,923 ⁽²⁾	140,923 ⁽²⁾	419,700
Equity Awards					
- Restricted Stock Units/Performance Shares ⁽³⁾	114,315		114,315	114,315	301,041
- Unexercisable Stock Options/SARs ⁽³⁾	87,292		87,292	87,292	316,008
Other Benefits					
- Continuation of Medical, Dental and Vision Benefits including tax gross-up				30,257	45,396
- Continuation of Other Benefits (car allowance; other welfare benefits)					12,831

- Financial Planning Services					10,000
- Outplacement Benefits			9,000		
- Additional Company Contribution for Defined Contribution Plans Under the Management Continuity Agreement					97,990
Excise Tax Gross Up					911,730
SUB-TOTAL (Benefits Triggered Upon a Termination of Employment)	342,530		342,530	1,366,185	3,936,594
PLAN BALANCES/VESTED BENEFITS					
Defined Contribution Plan(s) Balances (includes the Retirement Savings Plan and the Supplemental Retirement Benefit Plan) ⁽⁴⁾	634,971	634,971	634,971	634,971	634,971
Present Value of Accrued Pension Benefit ⁽⁵⁾	1,180,284	1,180,284	563,627/ 1,180,284 ⁽⁶⁾	1,180,284	1,180,284
TOTAL (Includes Benefits that are Vested and Currently Payable to the Executive)	2,157,785	1,815,255	1,541,128/ 2,157,785 ⁽⁶⁾	3,181,440	5,751,849

(1) Retirement is generally defined as the executive's attainment of age 55 with 10 years of service.

(2) Assumes achievement of performance goals at the target level for the performance periods ending in 2010 and achievement of performance goals at the actual level for the performance periods ending in 2009.

(3) Assumes a constant share price of \$7.47, the closing sales price of our common shares on December 31, 2009.

(4) This row represents the balance(s) of the account(s) at year-end and consists of both executive deferrals and company contributions.

(5) The numbers shown in the table are illustrative only because lump sum payments are not available.

- (6) The first number represents payments received upon death and the second number represents payments received upon disability.

Table of Contents**KENNETH M. SMITH**

	Voluntary Termination or Retirement⁽¹⁾ (No COC; or, Following a COC, without Good Reason) (\$)	Involuntary Termination with Cause (Including Following a COC) (\$)	Death/Disability (\$)	Involuntary Termination without Cause (No COC) (\$)	Involuntary Termination without Cause or for Good Reason (Following a COC) (\$)
Cash Severance Benefit (salary continuation and multiple of annual incentive payments	\$	\$	\$	\$ 672,000	\$ 1,512,000
Annual Incentive for Year of Termination				336,000	336,000
Cash LTIP-Vesting of Performance Units	145,010 ⁽²⁾		145,010 ⁽²⁾	145,010 ⁽²⁾	436,800
Equity Awards					
- Restricted Stock Units/Performance Shares ⁽³⁾	114,315		114,315	114,315	301,041
- Unexercisable Stock Options/SARs ⁽³⁾	87,292		87,292	87,292	318,888
Other Benefits					
- Continuation of Medical, Dental and Vision Benefits including tax gross-up				43,870	65,808
- Continuation of Other Benefits (car allowance; other welfare benefits)					12,831

- Financial Planning Services					10,000
- Outplacement Benefits			9,000		
- Additional Company Contribution for Defined Contribution Plans Under the Management Continuity Agreement					98,280
Excise Tax Gross Up					912,573
SUB-TOTAL (Benefits Triggered Upon a Termination of Employment)	346,617		346,617	1,407,487	4,004,221
PLAN BALANCES/VESTED BENEFITS					
Defined Contribution Plan(s) Balances (includes the Retirement Savings Plan and the Supplemental Retirement Benefit Plan) ⁽⁴⁾	684,237	684,237	684,237	684,237	684,237
Present Value of Accrued Pension Benefit ⁽⁵⁾	965,923	965,923	461,726/ 965,923 ⁽⁶⁾	965,923	965,923
TOTAL (Includes Benefits that are Vested and Currently Payable to the Executive)	1,996,777	1,650,160	1,492,580/ 1,996,777 ⁽⁶⁾	3,057,647	5,654,381

(1) Retirement is generally defined as the executive's attainment of age 55 with 10 years of service.

(2) Assumes achievement of performance goals at the target level for the performance periods ending in 2010 and achievement of performance goals at the actual level for the performance periods ending in 2009.

(3) Assumes a constant share price of \$7.47, the closing sales price of our common shares on December 31, 2009.

(4) This row represents the balance(s) of the account(s) at year-end and consists of both executive deferrals and company contributions.

- (5) The numbers shown in the table are illustrative only because lump sum payments are not available.
- (6) The first number represents payments received upon death and the second number represents payments received upon disability.

Table of Contents**BERNARD BAERT⁽¹⁾**

	Voluntary Termination or Retirement⁽²⁾ (No COC; or, Following a COC, without Good Reason) (\$)	Involuntary Termination with Cause (Including Following a COC) (\$)	Death/Disability (\$)	Involuntary Termination without Cause (No COC) (\$)	Involuntary Termination without Cause or for Good Reason (Following a COC) (\$)
Cash Severance Benefit (salary continuation and multiple of annual incentive payments	\$	\$	\$	\$ 849,906	\$ 1,274,859
Annual Incentive for Year of Termination				283,974	283,974
Cash LTIP-Vesting of Performance Units	184,816 ⁽³⁾		184,816 ⁽³⁾	184,816 ⁽³⁾	482,900
Severance Pay Under Luxembourg Law ⁽⁴⁾				1,515,558	1,515,558
Equity Awards					
- Restricted Stock Units/Performance Shares ⁽⁵⁾	102,984		102,984	102,984	259,956
- Unexercisable Stock Options/SARs ⁽⁵⁾	71,466		71,466	71,466	259,204
Other Benefits					
- Continuation of Medical, Dental and Vision Benefits					
- Continuation of Other Benefits (car allowance; other welfare benefits)					831

- Financial Planning Services					8,000
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- Outplacement Benefits					
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- Additional Company Contribution for Defined Contribution Plans Under the Management Continuity Agreement					
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Excise Tax Gross Up					
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SUB-TOTAL

(Benefits Triggered Upon a Termination of Employment)

359,266		359,266	3,008,704	4,085,282
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PLAN**BALANCES/VESTED BENEFITS**

Defined Contribution Plan(s) Balances ⁽⁶⁾	22,896	22,896	22,896	22,896	22,896
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Present Value of Accrued Pension Benefit					
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TOTAL

(Includes Benefits that are Vested and Currently Payable to the Executive)

382,162	22,896	382,162	3,031,600	4,108,178
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(1) Based on conversion rate of 1.00 = \$1.43325.

(2) Retirement is generally defined as the executive's attainment of age 55 with 10 years of service.

(3) Assumes achievement of performance goals at the target level for the performance periods ending in 2010 and achievement of performance goals at the actual level for the performance periods ending in 2009.

(4) Assumes payments would be provided as required by Luxembourg law and not under Mr. Baert's Continuity Agreement.

(5) Assumes a constant share price of \$7.47, the closing sales price of our common shares on December 31, 2009.

(6) This row consists mainly of amounts contributed by the executive to our retirement benefit plan in Luxembourg. See discussion regarding Mr. Baert's Belgium pension benefit in the Compensation Discussion and Analysis

Elements of Compensation Retirement Benefits section of this proxy statement.

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Compensation Committee Interlocks and Insider Participation

During 2009, none of our executive officers or Directors was a member of the Board of Directors of any other company where the relationship would be construed to constitute a committee interlock within the meaning of the rules of the Securities and Exchange Commission.

Policy on Related Person Transactions

Under our Guidelines for Ethical Business Conduct, we prohibit all employees, including our officers and non-employee Directors from engaging in activities that would impact their ability to carry out their duties in an independent, objective fashion. We also have adopted a written Policy for Review of Transactions Between the Company and Its Directors, Executive Officers and Other Related Persons. This policy requires an initial review by our Chief Legal Officer, Chief Financial Officer and Ethics and Compliance Officer, in consultation with each other (the Reviewing Team), of all transactions, arrangements or relationships with us in which any Director, executive officer or other related person (including immediate family members of all related persons) has a direct or indirect material interest, which involve \$50,000 or more. Further, the Audit Committee must review and approve any transaction that the Reviewing Team determines may be required to be disclosed pursuant to Item 404 of Regulation S-K under the Securities Exchange Act of 1934 or any similar provision. In reviewing the related person transactions, the Reviewing Team and the Audit Committee consider the following factors: (1) whether the transaction is in conformity with our Guidelines for Ethical Business Conduct and is in our best interests; (2) whether the transaction would be in the ordinary course of our business; (3) whether the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party; (4) the disclosure standards set forth in Item 404 of Regulation S-K under the Securities Exchange Act of 1934 or any similar provision; and (5) whether the transaction could call into question the status of any Director or Director nominee as an independent director under the NYSE rules.

Report of the Compensation Committee

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth in this proxy statement with management and, based on this review, has recommended to the Board of Directors the inclusion of the Compensation Discussion and Analysis in this proxy statement.

**The Compensation Committee
of the Board of Directors**

Gordon D. Harnett, Chairperson
J. Douglas Campbell
Edward J. Mooney
William H. Powell
Farah M. Walters

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**PROPOSAL 2 APPROVAL OF THE POLYONE CORPORATION
2010 EQUITY AND PERFORMANCE INCENTIVE PLAN**

On March 4, 2010, our Board of Directors unanimously approved and adopted, subject to the approval of our shareholders at the annual meeting, the PolyOne Corporation 2010 Equity and Performance Incentive Plan (the Plan). The Plan will continue to afford the Compensation Committee of our Board of Directors (the Compensation Committee) the ability to design compensatory awards that are responsive to our needs, and includes authorization for a variety of awards designed to advance our interests and long-term success by encouraging stock ownership among our directors, officers and other employees.

We have historically granted equity awards under various plans, including most recently under the 2008 Equity and Performance Incentive Plan (the Existing Plan). The Existing Plan has awards authorized but not granted at the date of this proxy statement. If approved by our shareholders, the Plan will become effective and no further awards will be made under the Existing Plan.

The affirmative vote of a majority of the shares voting on this proposal is required for approval of the Plan. The following summary of the material provisions of the Plan is not intended to be exhaustive and is qualified in its entirety by the terms of the Plan, a copy of which is set forth as Appendix A to this proxy statement.

Why We Believe You Should Vote for Proposal 2

We believe our future success depends on our ability to attract, motivate and retain high quality employees and directors and that approval of the Plan is critical to achieving this success. We would be at a severe competitive disadvantage if we could not use stock-based awards to recruit and compensate our employees.

The use of our stock as part of our compensation program is also important to our continued success in that it fosters a pay-for-performance culture, which we have stated is an important element of our overall compensation package. We believe that equity compensation motivates employees to create shareholder value because the value employees realize from equity compensation is based on our stock performance. Equity compensation also aligns the goals and objectives of our employees with the interests of our shareholders and promotes a focus on long-term value creation because our equity compensation awards are subject to vesting and/or performance criteria.

If the Plan is not approved, we will be compelled to increase significantly the cash component of our employee compensation, which may not necessarily align employee interests with those of shareholders as well as stock-based awards. Replacing equity awards with cash will also increase cash compensation expense and use cash that would be better utilized if reinvested in our businesses.

Finally, we believe that we have demonstrated our commitment to sound equity compensation practices. We recognize that equity compensation awards dilute shareholder equity and, therefore, we have carefully managed our equity incentive compensation. Our equity compensation practices are targeted to be consistent with the market median, and we believe our historical share usage has been responsible and mindful of shareholder interests, as described below.

In evaluating this proposal, shareholders should consider the factors set forth under Plan Highlights below.

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Plan Highlights

The Plan authorizes the Compensation Committee to provide equity-based compensation in the form of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), performance shares, performance units, and other awards for the purpose of providing our directors, officers and other employees incentives and rewards for superior performance. Some of the key features of the Plan that reflect our commitment to effective management of incentive compensation are set forth below and are described more fully under the heading Summary of the Plan and in the Plan, which is attached to this proxy statement.

Administration. The Plan will be administered by the Compensation Committee. The Compensation Committee may delegate its authority under the Plan to a subcommittee. The Compensation Committee or the subcommittee may delegate to one or more of its members or to one or more of our officers, or to one or more agents or advisors, administrative duties or powers to do one or both of the following (subject to certain limitations described in the Plan):

designate employees to receive awards under the Plan; and

determine the size of any such awards.

Plan Limits. Total awards under the Plan are limited to 3,000,000 shares plus any common shares relating to awards that expire or are forfeited or cancelled under the Plan. No more than 1,200,000 common shares may be issued with respect to awards that are not stock options or SARs. The Plan also provides that:

the aggregate number of common shares actually issued or transferred upon the exercise of incentive stock options (ISOs) will not exceed 3,000,000 common shares;

no participant will be granted stock options or SARs, in the aggregate, for more than 500,000 common shares during any calendar year;

no participant will be granted awards of restricted stock, RSUs, performance shares or other stock-based awards that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), in the aggregate, for more than 400,000 common shares during any calendar year;

no participant in any calendar year will receive an award of performance units or other awards payable in cash that are intended to qualify as qualified performance-based compensation under Section 162(m) of the Code having an aggregate max